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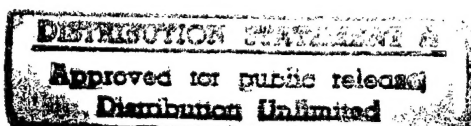


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Soviet Union

International Affairs



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Soviet Union

International Affairs

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ILO Discussions Seen Relevant For USSR

91UF0905A Moscow TRUD in Russian 21 Jun 91 p 3

[Article by V. Golobachev: "Bankruptcy. International Labor Organization Discusses Ways to Protect Workers in an Enterprise's Insolvency. This Problem is also Relevant for the USSR"]

[Text] Every minute at least a few bankruptcies, and often several dozen, occur in the world. It is entirely likely, as you read these lines, that somewhere in the U.S., Italy, France, or Spain an ordinary enterprise, intermediary firm or company has declared insolvency, and that acute, tormenting problems have arisen for those who work there. The number of bankruptcies increases sharply during times of economic crisis, but even in favorable periods these tragedies remain a daily phenomenon under any economic system open to the rules of free competition.

Alas, even our country cannot escape the problem. What can be said for the future, when even before many of our enterprises operated at a loss and were unable to make ends meet. In the USSR, 1,752 enterprises (including kolkhozes) were declared insolvent in 1988. Yet on 1 January 1989, there were 1,167 (including 605 Gosagroprom enterprises, 27 construction enterprises, and others). Previously, the state, gradually ruining itself, kept the so-called "planned-unprofitable" enterprises afloat (which in many cases was, economically speaking, absurd and only encouraged inefficient work).

In the conversion to a market system, the situation is changing abruptly. Bankruptcy may become a common phenomenon here in the near future. That is precisely why we are now drafting a law on bankruptcy which, it seems, will soon be passed and will have a significant influence on our lives. Soviet trade unions are participating quite directly in drafting it. Relying on international practices, they are energetically and decisively supporting the interests of the working people, their rights and guarantees of social protection.

Even at an international level, this problem has now taken the center of attention. On the agenda for the session of the General Conference of the ILO [International Labor Organization], now being held in Geneva, is the question of protecting the lawsuits of the workers in the event of their employer's insolvency. For 2 weeks already, a special committee, including representatives of governments, working people and employers from almost 150 countries, has been scrupulously, point by point, examining the draft of a new international document, the future conventions of the ILO. All this is of particular interest to us, who are just entering into market relations and are beginning a great deal essentially from nothing.

So, bankruptcy. The first question is: Must it always lead to the elimination of the enterprise? Previously, this was considered almost axiomatic: If a business could not manage to stay afloat in a stormy sea, it sank ("let the

unsuccessful cry"). Yet quite a different approach prevails in the world today. The financial difficulties of an enterprise can be caused by reasons other than poor management. In many cases, firms, companies or plants deserve to be saved, since they are still viable and the difficulties being suffered are temporary. Eliminating them deprives people of jobs, does not enable the repayment of debts and, finally, also hurts the suppliers and, in our country of total economic monopoly, even hurts the customers. Thus, a "domino effect," a chain reaction of bankruptcies, can occur.

Is it possible to save a failing company? How is this done? Italy, for instance, has established a special procedure for managing a company in extraordinary cases, applied exclusively to very large enterprises for the purpose of avoiding their bankruptcy. In many countries, legislation stipulates that a company or a part of it be sold to a court-designated entity. In Bolivia, the workers of a bankrupt enterprise may create a cooperative and take the plant or factory into their own hands. In this case, they have preference over all other buyers. In general, many countries ever more often are resorting to a practice in which the workers at a bankrupt company acquire it or manage it on a temporary basis.

The general trend in the world today is not to rush to close down a bankrupt firm, but to try to help pull it out of the hole. When it is a question of key enterprises, sometimes political decisions are made beyond the framework of bankruptcy legislation. For instance, several years ago one of the largest automotive corporations in the U.S., Chrysler, was on the verge of bankruptcy and was saved at the last moment by help from the federal government and the trade unions.

However, not all companies can be successfully saved, of course. Indeed, this is impossible. What happens to the working people in case of failure? Often the employer owes them wages for several months. However, during a bankruptcy many other creditors (suppliers, financial institutions) appear, who also demand that debts be repaid and accounts settled. What should be done?

In this case, most countries strive to provide special protection for the workers' rights. A worker's unpaid wages are his only income, needed to meet his and his family's vital and important needs. That is why many countries give the lawsuits of working people priority (or privilege) over those of many other creditors. That is, the payment of withheld wages should occur before settling with other creditors.

Everything in this scheme would seem logical, if not for one important "but." By law, those who gave a bankrupt company credits on security or mortgages have first rights to its property and assets. There are also the suits of the government (taxes, unpaid duties) and of the social security system (dues not deducted from the employer), which also take priority in most countries. In short, there are primary, secondary, and tertiary privileges...

That is why today many countries have established by law a "superprivilege" regarding the lawsuits of working people, which are satisfied in the very first priority during a bankruptcy. It is interesting that Mexico introduced such a provision to its constitution in 1917. A similar procedure operates in France, Spain, Italy, Peru, Algeria, Tunisia and several other countries.

At the insistence of the soviet trade unions the same provision has been introduced in the USSR draft law on the bankruptcy of enterprises.

Another debatable question: What is considered the wage? Just the basic earnings, or also any additional payments, commissions, bonuses, awards for long service, etc.? In many countries these additions are larger than the basic pay. There are many examples during bankruptcy in which payment is called for in the law not only for all these sums, but also in compensation for vacations.

Opinions diverged when this question was discussed in Geneva. The representatives of enterprises and, in part, of governments believed it is not necessary specially to emphasize that the concept of wages payable during bankruptcy includes not only the basic pay, but also ALL other payments. They proposed removing the word "all" here. The representatives of the working people (including an expert from our trade unions), it goes without saying, insisted that the word "all" remain in the document. After lengthy debates, the question was put to a vote. The majority were in favor of excluding the word "all." However, the accepted formulation contains no restrictions and suggests the broadest interpretation.

In some countries, an upper limit is established for the amount payable during bankruptcy. For example, in Canada it is 500 dollars; in Great Britain—800 pounds sterling; and in the U.S.—2,000 dollars (1985 data). However, this is not the best variant, since strictly determined absolute sums do not take inflation into account. For instance, 500 Canadian dollars in 1949, when this limit was established, was roughly equal to 3-month's average pay, but today this sum is payment for only a week.

Now, having briefly noted the mechanism of privileges during bankruptcy, I would like to add a fly to the ointment. World practice has shown that, despite all the importance of this system of social protection, it often ends up being entirely inadequate. The point is, firstly, that the privileges as a rule cover only part of the working people's suit, not all of it. Secondly, and this may be the most important, the privileges do not operate in cases when the available assets after bankruptcy are insignificant or generally nonexistent. To put it simply, they do not apply when there is no money to pay compensation to the workers or to pay off debts. For this reason, court proceedings in general often are not instituted, since not even the legal expenses will be recovered.

Furthermore, the payment of compensation presumes the mandatory elimination of the enterprise and, as

already noted, today the reverse trend of attempting to save and restore it is manifesting ever more distinctly.

That is why a different system of social protection for working people during bankruptcy seems far more preferable. It is a question of guaranteed wage funds, which first appeared in Western Europe in 1967. The fund moneys are formed at the expense of mandatory deductions from the employers, and an independent institutions disposes of said funds. In Finland, for instance, the Ministry of Labor disposes of them; in Austria—the local labor exchange; in Great Britain—an assistance fund, subordinate to the state secretary of employment...

However, there are exceptions. In Holland, the fund is financed jointly by both the employers and the working people. In Greece and Holland, the state allocates the funds. In Japan, both the employers and the state participate in financing it.

In a number of cases, the guarantee is applied both to the basic wage, and to additional payments. A gratuity upon retirement and, in some countries, compensation for vacations is also paid from this fund.

Payments from guaranteed funds almost always have restrictions on the upper limit. For example, in Great Britain the maximum payment with regard to owed wages was 1,472 pounds sterling in 1989; for the period of action of notification of dismissal—2,208 pounds sterling; for paid vacations—1,104; and for a retirement gratuity in connection with unjustified dismissal—5,520. As you can see, these are not small sums. These payments occur whether the bankrupt company has money left or not.

It would seem clear that the guaranteed funds provide better social protection for the working people, than the privileges system. However, at the Geneva conference of the ILO committee, representatives of employers voiced the opinion that, for instance, in the developing countries in practice guaranteed funds will be difficult to create, expensive to finance, and hard to manage. This system, the experts said, can be only one of the possible approaches.

I do not know what will finally be written into the international convention (or rather, whether it will stipulate protection for working people during bankruptcy by way of privileges, or through the institution of guarantees), but I am quite sure that the creation of guaranteed funds is necessary in our country. The functioning of such funds was not called for in the initial versions of the draft law on bankruptcy in the USSR. Nonetheless, in matters of social protection for citizens (especially in dramatic situations such as the bankruptcy of enterprises), we might wish to be guided by the experience of developed countries.

World practice and the discussion of the problem of insolvency at the current June session of the ILO General Conference offer rich food for thought...

Kozyrev on RSFSR Foreign, Interrepublic Ties
91UF0872A Moscow LITERATURNAYA GAZETA
in Russian No 23, 12 Jun 91 pp 1-2

[Interview with Andrey Vladimirovich Kozyrev, Russian minister of foreign affairs, by LITERATURNAYA GAZETA correspondent Vladislav Yanelis: "We Gained Independence Through Great Suffering"]

[Text] [Yanelis] Russia declared its sovereignty a year ago. I think that few of the people's deputies who voted for the restoration of the republic government at that time realized how far this sovereignty would go. The center loomed ominously over Russia and was not pleased by the awakening of autonomy in its former vassal republics. Nevertheless, the past year showed that sovereignty, or actually the movement for it, is not that impossible. Am I wrong?

[Kozyrev] No, you are not wrong. We have come a long way in a year. From romantic dreams about sovereignty to a sober awareness of ourselves as a sovereign state and a realization of Russia's place in the new union and the union's own place in Russia. I believe that Russia was historically destined to play the role of a great power and should not wander the world with its hand outstretched. Even if a nearsighted policy caused people in the Soviet Union to forget about this temporarily, sovereignty is helping us remember.

I think that the direct elections of the president of Russia were also made possible largely by sovereignty. And think about the transfer of the miners to Russian jurisdiction. In short, we have seen the beginning of the process of political recovery and radical changes that should make qualitative changes in the life of the people living in Russia and the Union.

[Yanelis] Have there been any changes in the treatment of Russia by foreign states?

[Kozyrev] I would say it is changing. Many Western leaders can see that they will soon have to deal with the Russian leadership on the governmental level and reach decisions directly with them on many aspects of inter-governmental relations, though not at the expense of union political structures. The countries of Eastern Europe are closer than others to an acknowledgement of Russia's right to political, economic, and diplomatic autonomy. They, just as we, gained their independence through great suffering and escaped the iron clutches of their "big brother," the Soviet Union. They still bear the marks of this embrace, however. The leaders of the East European states sympathize completely with Russia's desire to escape totalitarianism, and they are ready and willing for the most serious dialogue directly with our republic. Yeltsin's recent trip to Czechoslovakia offers further proof of this. We made the arrangements for this trip, and it was a success. Trips to Poland, Romania, Portugal, and Bulgaria lie ahead.

West European leaders have been more restrained in this respect. They are gradually getting used to direct contacts with Russia on the governmental level, but they are put off by our internal political instability and the lack of clarity in our relations with the union center. Their point of view is understandable: Friends, first you must settle your own differences, delineate your powers, and sign a union treaty. Incidentally, they are now addressing the same demands to the center. After all, how can they reach agreements with Russia on foreign economic cooperation without participation by the center as long as the center sets customs tariffs and has the power to abrogate any agreement between Russia and the West? In turn, Russia could complicate the agreements of the center. Predictability in all areas is important to the West.

Do not misunderstand me. I certainly do not want to turn contacts with the West into a competition. Let me say exactly what I mean. We have no intention of destroying the union or of disavowing the union government in our relations with the West, but Russia has and will continue to have its own foreign economic interests. In short, render unto God that which is God's and unto Caesar that which is Caesar's. The union has every right to establish its relations with foreign powers on the global level, but it cannot deny our right to establish our own.

As for the plan to establish international contacts on the level of cities, provinces, and so forth through the Russian Ministry of Foreign Affairs, we have no intention of giving up this activity. The more ties we have binding us to the developed countries, the sooner we will recover from our communist torpor.

[Yanelis] When Russia becomes a sovereign state, it probably will not deny the right of the former republics to sovereignty if they should demand it. This will mean a qualitatively new level of Russian foreign policy: the exchange of ambassadors, summit-level visits, intergovernmental nonaggression treaties, and so forth. Would you not agree that all of this looks like a game? After all, we lived as one "family" for so long.

[Kozyrev] Leaving protocol aside for the moment, I must say it is not that important in the final analysis whether Russia and Georgia exchange diplomatic envoys or simply set up representative missions. We all have to reach a different, more civilized state. We have to learn to solve our problems within the union without relying on force. The lessons of Tbilisi taught us that attempts to exert forcible pressure on democracy can only divide the union: The Georgians never did forgive the center for not punishing the guilty parties in the Tbilisi tragedy, and as a result the republic has no intention of signing the union treaty. Now the same mistake is being made in the Baltic republics.

We must learn to respect each other, regardless of how strong or weak we are or how rich or poor we are. I see no reason for the present Russian Government to exert political, military, or economic pressure on, for example,

sovereign Tatarstan. We might not like the appeals of some of its leaders for secession from Russia and we still have problems with the democratic self-affirmation of nationalities, but everything must be settled in the proper manner if we want to build a law-abiding society in which the interests of each nationality and each individual will be respected.

The same is true of relations with other republics: We are open to them and welcome all positive moves in mutual contacts. By the same token, we must be certain that the Russians living in other republics will be able to exercise the same civil rights as the native population. Russia will treat people of any nationality within its own territory accordingly.

[Yanelis] Do you think the center will approve?

[Kozyrev] I hope so. Otherwise, the union will collapse. If we do not want this to happen, we have to learn to cooperate. To this end, all of us who are part of the union—or, more precisely, who will remain part of the union—should strive to be good partners with each other. This presupposes a high level of political tact and a willingness to compromise. We also have to consider our tremendous economic dependence on each other, which will last a long time.

A dual approach is possible here. The first part would be the union treaty, to be signed by all interested parties. The second would be the simultaneous conclusion of bilateral treaties between Russia and other republics. We have experience in this area: After all, we have already signed treaties with the Ukraine, Kazakhstan, Belorussia, and Latvia. This is convenient for the republics and relieves the center of some of its concerns.

The union might eventually become something like the European Community, which protects the interests of a whole group of countries. At the same time, these countries have completely separate relationships with each other, although our ties are certainly much closer.

[Yanelis] You have described an absolutely idyllic situation. Can the possibility of the sudden outbreak of a conflict between republics be excluded, perhaps not now, but in principle? For instance, what if Russia were to make territorial claims on one of the members of the union? Could this happen?

[Kozyrev] Of course. Russia is a strong country, and what you want to say is that it might decide a territorial question in its own favor. In principle, it might, but would this make the people living in the disputed territory happy? It is doubtful that they would gain anything but suffering. Furthermore, world history tells us that attempts to settle territorial questions with wars are

ineffective. The latest example was the Nagorno-Karabakh Autonomous Oblast.

The boundaries between republics might be changed, but only as a result of negotiation, and in the broader context it will not be important if you are the citizen of one republic or another. If the boundaries are as penetrable as in Europe and if you are free to move around in your own country and abroad and feel secure, territorial wars will not break out: Political adventurers will have no basis for fueling nationalist attitudes. An individual is ready to put his faith in false ideals if he is unhappy, but if he is living a normal life it is hard to convince him that taking away his neighbor's pasture will improve his own life.

[Yanelis] Does this mean, Andrey Vladimirovich, that you are prepared to cooperate with, for instance, Chechen-Ingushetia on the same political level as with Poland or France?

[Kozyrev] Hypothetically, yes, but let us keep the conversation on a realistic level and not complicate things. Let us forget the form and think about the essence. The essence is the human being and his interests. Sovereignty is a good thing, but what lies behind it? Meaningless symbols? Games with the latest catch-phrases? Let us be sovereign in our choices, but our choices must always be made for the good of the human being.

[Yanelis] What if the governments of some republics are not willing and able to accept your formula?

[Kozyrev] For a long time I have had the idea of forming some kind of non-governmental association of representatives of all of the republics. This association could discuss all problems—political, economic, cultural, ecological, and philosophical—freely at its unofficial meetings. It would be joined by individuals who are not hungry for power but are genuinely concerned about the future of their people—specialists and intellectuals. I am certain we would find the answers to many questions. Furthermore, we could find them without any shouting or pomposity. We would not be dependent on governments and would not try to take the place of parliaments, but would simply work together to find solutions, assigning priority to the right of each nationality to self-determination and the right of each individual to the values of pluralist democracy. I would be willing to take on all of the organizational preparations.

[Yanelis] What if Gorbachev or Yazov should hear about this and call you, asking to join the association?

[Kozyrev] That would be fine. I would set only one condition: You, Mikhail Sergeyevich, will act not as the president, but as, for example, a Noble Prize winner, and you, Dmitriy Timofeyevich, will act not as a minister, but as, for instance, a lover of Russian poetry. Everything would be on a personal level.

Text of Cooperation Council Final Statement

91UF0896A Moscow IZVESTIYA in Russian 17 Jun 91
Union Edition p 5

[Unattributed report on ninth session of Cooperation Council in Prague 30 May-2 June under the heading "On the Subject of a New Definition of World Order," and Final Statement of the session]

[Text] The participants in a session of the Cooperation Council—an international organization of former heads of state and government—held 30 May-2 June in Prague called for an in-depth analysis of the changes occurring in the world. They pointed in this connection to the need for the suffusion of the declarations concerning a new world order with specific content.

H. Schmidt, V. Giscard d'Estaing, T. Fukuda, J. Callaghan, P. Trudeau, J. Chaban-Delmas, A. Van Agt, M. Fraser, M. de la Madrid and others took part in the session. There were three items on the agenda: "Economy in Transformation: Possibilities and Limitations of the Transitional Period" (paper of a group of experts headed by P. Trudeau), "Role of the Central Banks in Globalized Financial Markets" (paper of V. Giscard d'Estaing's group), and "Prospects of the Developing Countries: Old Difficulties and New Problems" (paper of the M. de la Madrid group). There was also a brief discussion of the situation in Yugoslavia, the subject matter of the "new world order," and other matters.

Welcoming the participants in the session, V. Havel, president of the Czech and Slovak Federal Republic, devoted his speech to the relations between the developed and developing countries, in the main. He expressed the hope that the changes in East Europe would exert a salutary influence on the whole world and that an undivided European continent would be able to grant the developing countries appreciable assistance.

The main attention of the participants in the session was concentrated on the paper of the P. Trudeau group, the central idea of which was that neither the capitalist nor socialist systems were capable of fully satisfying society's requirements. There is no market economy in pure form anywhere. The East European countries should not, therefore, take the path of forced and total privatization and the complete abandonment of state regulation. The transition from the rigid administrative-command economy to a market economy, the paper says, could prove quite protracted in time and will require firm leadership capable of controlling the processes of inevitable social and cultural change.

The propositions and conclusions of the paper were supported by practically all participants in the discussion. The idea of the need for a balanced approach to all problems of the transitional period—from the correlation of the state and private sectors through the pace of privatization and the introduction of market mechanisms—was emphasized particularly.

The Council supported the recommendations of the paper of the Giscard d'Estaing group on the question of stabilization of the world financial system and expressed the opinion that attempts to "close borders" would be contrary to the principle of human rights and could lead to a spurring of tension in relations between have and have-not countries.

A final statement was adopted at the session:

Final Statement of the Cooperation Council Ninth Session

1. Since the end of the "cold war" the governments and peoples of the world have had to deal with new groupings and unprecedented problems. No longer encountering the restrictions caused by the traditional East-West rivalry and having found itself under conditions of reduced North-South antagonism, the world is at the present time having to tackle global tasks while operating in a structure characterized by a hitherto unprecedented diversity of linkages.

2. In East Europe the current difficult transitional period is being accompanied by colossal problems of a global scale connected with population, migration, the environment, power engineering, and development and also with the international narcotics trade and its link with international terrorism. The critical problems of a global nature threatening the world demand a revision of international relations and the formulation of a new definition of world order.

I. Economy in the Process of Transition

3. The Cooperation Council fully approves the paper of Mr. Pierre Elliot Trudeau on the conclusions and recommendations of the group of high-ranking experts on an economy in the process of transformations: Difficulties of the transitional process.

4. The economy of the Central and East European countries is encountering unprecedented problems. For the conversion of one system based mainly on central planning and state ownership into another based mainly on market principles, private ownership, and the stimulation of initiative and enterprise could perfectly well take more than 10 years. These countries cannot expect to achieve immediate results. Transformations are not realized overnight. Skillful leadership will be required for the realization of the inevitable cultural changes.

5. A prolonged process of transformations occurring in an ideological vacuum could bring about the disenchantment of the population, which could potentially have serious consequences for fragile institutions and state structures in these countries, regardless of their democratic legitimacy.

6. In the course of the transitional process it is essential to tackle three key tasks:

the adoption and implementation of the appropriate macroeconomic policy of stabilization for the purpose of

the elimination of the imbalances and the promotion of economic growth; the introduction and guarantees of property rights, given legal backing for them and a start on the implementation of structural reforms; and also

a stage-by-stage process of the privatization and commercialization of trade, industry, and services.

7. Although there are in West Europe, North America, Asia, and other parts of the world dozens of models oriented toward a market economy which are functioning satisfactorily, difficulties arise upon an attempt to transfer these models to the Central and East European countries. Although the system of a command economy and centralized planning have had no success in any country, indicative and centralized planning have in many countries served as an important instrument of the stimulation of economic growth.

8. Neither the capitalist market system nor the socialist command economy have given a good account of themselves as a consummate method of satisfaction of individual and collective requirements or the assurance of a just distribution of income. In just the same way there is no purely market economic system based on private ownership. The economy of the majority of countries is a mixed system with a developed private sector and a large and powerful state sector.

9. Although in the past two years the public's attention has been called primarily to privatization, the end and the means of its achievement should not be confused. Although the introduction of a market economy remains a priority end, privatization is just one means of its achievement. For many years to come the economy of the Central and East European countries and the Soviet Union will, as before, most likely, be of a mixed nature and have a comparatively strong state sector functioning on the basis of market principles.

10. The abrupt introduction of market mechanisms frequently causes its own problems, particularly when it comes to unemployment and other social difficulties.

11. The Cooperation Council believes that the countries of Central and East Europe which are giving preference to the return to the owners of property taken away from them, not the payment to them of compensation, are creating obstacles to privatization which could in the future complicate this process even more. The Council insistently appeals to the governments to revise the corresponding legislation and policy, providing for a situation in which conditions conducive to private capital investments are created.

12. It is necessary to overcome a crisis of confidence brought about by the discrepancy between statements and political recommendations on the one hand and political actions on the other. The Cooperation Council calls for the implementation of consistent efforts and a continuous dialogue between all countries whose economy is undergoing a transitional period (the Soviet Union included) and the industrially developed Western

countries. In addition, the Cooperation Council insistently calls on the governments of the OECD countries to examine in earnest the question of the support and financing of a concentrated program of capital investments in the infrastructure, not least with the use of environmentally clean technology in the Central and East European countries and the Soviet Union. The Cooperation Council supports and approves the efforts being made for the purpose of the adoption of European Environmental Program.

13. The shortage of capital and savings on modern world markets will inevitably have a negative effect on the process of transformations. In order to alleviate the solution of this problem the Cooperation Council insistently calls on the United States and Germany to reduce demand on the capital markets. The Cooperation Council also calls on the entrepreneurs of Japan, the Republic of Korea, the United States, Australia and other countries to make capital investments in the economies of the Central and East European countries. In addition, the Council requests all countries to reduce military spending appreciably, thereby releasing the resources so necessary for the achievement of domestic goals, for the processes of transformation, and for development purposes included.

14. The Cooperation Council insistently calls on the leaders of the Central and East European countries to learn a lesson from the mistakes made by East Germany over the past eight months.

II. Stabilization of Global Financial Markets

15. The Cooperation Council wholly approves the paper of Mr. Valery Giscard d'Estaing on the conclusions and recommendations of the group of high-ranking experts on the question of the role of the central banks on global financial markets.

16. Appreciable changes have occurred in recent years on the domestic and international capital markets: for example, decentralization and the development of new financial documents and futures markets and computerized automated data transmission closely linking markets, documents, and currencies and contributing to a considerable extent to the circulation of capital on a global scale.

17. In many respects these changes are beneficial and represent a positive trend. But these changes have also led to the emergence of new problems, to which the periodic bankruptcies and failures and bailout operations on interbank currency and monetary markets testify. In a more fundamental respect the growing relationship between markets could lead to increased potential systemic risk. In addition, the new global financial markets do not as yet possess the appropriate organizational entity for ensuring the necessary control and information. Countries with a weaker economy are in the grip of a process which they are unable to directly influence. The positive aspects of floating exchange rates have

proven illusory. Countries should aspire to the establishment of fixed exchange rates (or, on the other hand, exchange rates whose fluctuations are only negligible or difficult), as is the case in the European Monetary System (EMS).

18. The Cooperation Council is profoundly convinced that the central banks and other regulatory bodies should make greater efforts to broaden their possibilities with respect to a surmounting of the crises under the new financial conditions.

19. In addition, the Cooperation Council believes that the time has come to opt for an all-embracing approach in respect of the role of the central banks and organizations controlling the new financial conditions, the object being the achievement of stability, transparency, and efficiency.

20. The best boost to the stability of the financial markets and adequate private savings is a common approach to the development of exchange rates and the stabilization of currency and financial policy. Given the fulfillment of these obligations aimed at the linkage of economic policy with the rate of inflation, the Group of Seven and then the Group of Three also should exercise global leadership, ensuring at the same time close cooperation with the International Monetary Fund and other countries. In this connection it is necessary to review and strengthen the role of the International Monetary Fund (IMF) for the purpose of ensuring adequate observance of the economic policy of the wealthier countries.

21. The transition to a single European currency, in support of which the Cooperation Council has spoken repeatedly, should pave the way toward a bipolar international currency system (the U.S. dollar, the yen, and the ECU). Other currencies should be linked to one of these three currencies by individual choice, provided that this "support currency" is sufficiently stable, or with a basket of all three currencies.

22. This would imply a transition from the current Group of Seven grouping to the Group of Three. Given such a configuration, particular responsibility should be entrusted to a small group of countries which would have to coordinate a common approach to the development of exchange rates and the stabilizing effect of currency and financial policy.

23. In the sphere of control of banking activity, differences predominate even among the most important countries. Given respect for the choice of the countries themselves, in the future the emphasis should be put on the ordering of the system of regulation of banking activity and the independence of banking control. Supervision should be exercised by a single national supervisory body—either an independent central bank or another specific institution. In any event, the central banks, individually or simultaneously with other institutions, should monitor the financial condition of the banking system as a whole.

24. Coordination of the supervision of financial intermediaries or nonbank financial institutions remains extremely imprecise. In this connection it is necessary to elaborate more efficient mechanisms of the coordination of supervision of actively operating international brokers in the sphere of securities, determining more precisely and clearly the allocation of supervisory duties.

25. The Cooperation Council insistently appeals to governments—at least in the OECD countries and the centers connected with them—to coordinate a set of provisions regulating supervision of financial markets and financial brokers. This set of provisions should be based on the principles of the transparency, neutrality, all-embracing nature and independence of supervision, mutual recognition, and agreed standards.

26. Supervision geared to the assurance of the circumspect activity of individual banks and market brokers will not, however, lead to the necessary stability of the markets without a simultaneous solution of the problem of the risk of a chain reaction of bankruptcies and other systemic risks. Consequently, the central banks should, as before, be prepared, in the event of a crisis, to make ready cash available to their banking system ("creditor of last resort") and also, if necessary, operate together on the currency markets.

27. The central banks should urgently contribute to the creation of an all-embracing program of a strengthening of the system of payments and accounts, to the development of a vigorous legally formalized system of buying and selling on the securities market included.

28. A strengthening of stability on financial markets is not an end in itself but an instrument of stabilization and a strengthening of the growth of the real economy. Unwarranted preference should not be given financial decentralization compared with overall economic efficiency, which presupposes particular flexibility on the labor markets and new efforts for the lifting of trade barriers. The financial markets should retain the function of a branch serving the production sectors of the economy.

29. In addition, the financial markets should send the real economy the correct signals, contributing to the spread of information, tightening internal rules, and putting the emphasis on a long-term approach, and also exercising the appropriate internal legal regulation of questions of the merger or acquisition of companies and their concentration.

30. Specifically, the futures markets, both financial and commodity, oil, for example, merit a detailed study in respect of their influence, requirements, regulation, and control.

III. Connection Between Population Growth, Deterioration of the Environment, Economic and Social Development, and Education

31. Today the population of the globe constitutes 5.3 billion. Since 1950—in just 40 years—it has more than

doubled. If present trends continue, the population will have doubled again by the year 2025. The developing countries, where in the 1980's it was already leading to a diminution in the size of per capita GNP, account for the main population growth. In the developed countries the present growth of the population is connected with migration, which is once again a consequence of the explosion of the birthrate in the developing countries.

32. Scientists and experts are beginning increasingly to recognize the devastating consequences of the growth in geometrical progression in the world's population: the sharp increase in demand for energy is leading to the depletion of its traditional sources, the destruction of forests and a reduction in the fertility of the land and also to an intensification of the already significant greenhouse effect, which has been caused mainly by the inordinate discharge into the atmosphere of hydrocarbons in the industrially developed countries. The change in climate is also having a negative impact on the environment and leading to an increase in mortality in the densely populated areas of the world, where the population growth rate is nullifying all efforts in the sphere of development as it is.

33. The population growth is bringing about a wave of migration to the cities and also overseas to wealthier countries. Cities, particularly in the less-developed countries, are growing far more rapidly than the population. A sharp increase in legal and illegal migration to the developed countries is being observed. At the present time environmental refugees are joining the growing stream of economic refugees. There are throughout the world approximately 500 million refugees, and this figure could easily double by the year 2000. Such migration trends represent a real threat to political stability and the preservation of peace both within countries and between them.

34. To provide itself with food directly or indirectly the planet's population consumes 40 percent of all the energy generated on land; if we add to this the energy of the oceans, consumption constitutes more than 50 percent. At whatever rate population growth continues, this amount of energy consumption can no longer be doubled. This clearly testifies that at the present time the world is on a path of unstable development.

35. It is essential that political leaders urgently study the problem of the change in climate brought on by global warming. At the present time science has established that a rapid transition from a stable to an indefinite period of permanent warming, a consequence of which will be a reduction in the earth's potentialities as man's habitat, is being observed in the world. It is essential, as a first step, to slow down this process to halt the accumulation in the atmosphere of heat-absorbing gases. To stabilize the concentration of carbon dioxide in the atmosphere it is necessary at the present time to reduce the consumption of mineral fuels 60-80 percent below the 1990 consumption level.

36. The latter figures point to the continuous trend toward the supplanting of the forests by agricultural land with subsequent soil exhaustion. For example, the Indian Government has officially recognized that approximately 30 percent of the land of this country is exhausted, that is, unfit for use in agriculture and forestry or for any other purpose. Global warming is, without any doubt, intensifying these trends.

37. Despite the intimidating figures of population growth, which began long since, and the manifest deterioration in the environment, peoples and their leaders will have to have not only high moral principles but also display political, economic, and social wisdom in order in their own interests to aspire to a solution of these problems at both the national and international levels.

38. In respect of global warming the Cooperation Council insistently appeals to the governments that they participate in the preparation of the UN Environment and Development Conference, which will be held in Brazil in 1992, and also ensure its success in order for the adoption of an international convention on greenhouse waste gases.

39. As far as population growth is concerned, the Cooperation Council proposes that the 1990's be declared a decade of assistance for the fulfillment of effective programs for controlling the birth rate at both the national and international levels and also a considerable increase in the financing of these programs.

40. In the field of power engineering the Cooperation Council calls on the OECD countries to develop cooperation and march in the vanguard of international programs of extensive research and development by analogy with the American Apollo program for the purpose of the ascertainment and production of technically and economically dependable renewable energy resources to replace traditional hydrocarbon fuels. This also presupposes a more active reduction in energy requirements per unit of industrial production.

41. The structures of consumption in the industrially developed countries have always been and continue to be of an uneconomical nature, and production has been associated with the inordinate consumption of raw material. The Cooperation Council is profoundly convinced that countries' governments have a political interest in and are also morally obliged to stimulate an awareness of ecological problems and also make of paramount importance in education the more conservative use of natural resources. Education is capable of dispelling the illusion that people are powerless to prevent the catastrophe which is threatening them.

IV. The Uruguay Round

42. The Uruguay Round of global trade negotiations under the GATT aegis has entered the decisive stage. Unless conclusive agreement is reached in the course of the year, the negotiations will, possibly, be doomed to fail. The Cooperation Council believes that it has long

been time to display political boldness and decisiveness for success to be achieved. The failure of the Uruguay Round could cause a chain reaction of protectionism throughout the world and delay transformations in the countries at present effecting a transition to a market economy.

43. The Cooperation Council believes that the present GATT rules are greatly out of date and need to be perfected since they encompass merely one-third of total world trade. A reduction in tariff and nontariff barriers, worldwide service rules, cross-border investments, and the protection of intellectual property would stimulate a growth of the world economy and promote technology transfers. As a result of reduced subsidies, competition would be more honest and trade would expand, from which those who are not in a position to keep pace with the growth of subsidies would benefit. Assured access to markets with high purchasing power would increase capital investments in the economies of the countries whose development is secured through reliance on exports. It is necessary to create more consummate mechanisms of the settlement of disputes in international trade as a counterweight to the trends toward the adoption of unilateral measures and other forms of protectionism.

44. History has taught us a bitter lesson. The absence of global rules of free trade and the pursuit of a protectionist policy prior to World War II had a very negative effect on the prospects of peace and prosperity in the subsequent period. We are today once again observing disturbing signs. There is a possibility that the main

world trade partners will turn their backs on GATT and begin instead to rely on their own political and economic power to the detriment of smaller and weaker states. The failure of the Uruguay Round would be catastrophic not only from the viewpoint of missed opportunities. It is illusory to believe that all in the world would remain as before, as if nothing had happened. Regional trading blocs would begin to struggle against one another, employing protectionist methods, and the world would find itself in an even worse position than before. It is the United States, the European Community, and Japan which bear particular responsibility for the preservation and development of a meticulously functioning system of world trade. They should immediately revise their policy in such key branches as agriculture.

V. Yugoslavia

45. The Cooperation Council is following with great concern the constitutional crisis as a result of which Yugoslavia has been left without a head of state. The Council believes that it is necessary to make every effort to prevent an unjustified tragedy and bloodshed, which would have serious consequences for other European countries.

46. Thus the Cooperation Council appeals to the participants in the Conference on Security and Cooperation in Europe (CSCE) in Berlin from 19 through 20 June 1991 to immediately employ in respect of Yugoslavia the means at their disposal and examine the question of the creation of an independent commission to investigate the current situation.

Disposition of CEMA Property in Moscow Debated

91UF0756A Moscow NEZAVISIMAYA GAZETA
in Russian 25 Apr 91 p 6

[Article by Boris Petrov, Moscow: "Who Will Divide CEMA Property and How: 'Secret' Negotiations Have Begun"]

[Text] The official elimination of the Council of Mutual Economic Assistance is approaching. This organization has amassed much property since 1949, including the modern 30-story building with the enormous executive committee session conference hall. The halls decorated with semi-precious stone and trimmed with expensive wood paneling stand empty. There is a printing plant and a high-capacity public catering organization with the appropriate equipment, warehouses, and its own production, including a pastry shop. There is a hotel complex with "deluxe" and "semi-deluxe" rooms where "very important people" were accommodated and a first class restaurant and bar served them. Add here the 300-bed resort hotel with winter pool, boarding school nursery and kindergarten located in privileged green zones, garages, and other support services. In general, these properties are worth tens of millions of rubles.

According to the July 13, 1989 Agreement between the CEMA and the Government of the USSR, only the CEMA as an international organization is the owner of the property and complex of buildings occupied by the CEMA and located on a parcel of land that was transferred free of charge to the organization by the Government of the USSR.

The CEMA countries can obtain only money from the property sold at auction.

But the negotiation participants would also like to obtain part of the dying organization's property. Hence, their demand for negotiations to assess the CEMA's property and to determine the countries' shares in the property of the eliminated CEMA proportionally according to their participation in the creation of this "property" and not the return of resources expended.

A delegation from the Soviet side, consisting of USSR CEMA Deputy Representative (former assistant to the former USSR Council of Ministers deputy chairman) and USSR CEMA Mission lawyers, is conducting negotiations.

It is surprising that the well-known lawyers who have traditionally participated in CEMA organ sessions on even less important and complex issues have not been enlisted to participate in the negotiations at the same time that the composition of other CEMA member-countries' delegations include skilled lawyers.

All of these negotiations are being conducted without the participation and in "secrecy" from the Russian Government and Mossoviet [Moscow City Soviet of Workers' Deputies], on whose land the CEMA building complex stands. The issue is also complicated by the fact that the July 13, 1989 agreement also ceases to be in force with the termination of the CMEA.

The issue on creation of a commercial enterprise which would operate the CEMA building complex is being actively discussed in circles close to the negotiations.

Gulf War Augurs Ill for Third World

91UF0863A Moscow SOVETSKAYA ROSSIYA
in Russian 6 Jun 91 First Edition p 5

[Article by Yuriy Gvozdev: "Warning: Lessons of the Persian Gulf War"]

[Text] Each day brings new reports of the calamities of the Kurdish refugees. Their sufferings and deprivations are truly great. But once again, as in the days of the war of the Western coalition against Iraq, a principal cause of the instability in the north of this country is being assiduously avoided. Yet were calls for uprisings not heard from Washington and unrest on national and religious grounds incited? As the weekly NEWSWEEK observed, it was such a development of events, the administration of President George Bush calculated, which was to have led to the fall of the Saddam Husayn regime. Has not too much of others' blood been spilled to secure one's own selfish interests? And does not the creation of a "security zone" for the Kurdish refugees under the control of the Pentagon north of the 36th parallel mean something akin to occupation and the start of the division of Iraq?

I do not for some reason or other entirely believe in the sincere humanism of those who just yesterday were with the aid of modern military technology wiping out all that was living over a vast territory. I do not believe those who, taking advantage of control of the mass media, portrayed the carnage as some Hollywood spectacle. The following achievement, for example, almost smacks of indecency: 150,000 Iraqi soldiers were killed, while American losses constituted fewer than 100 men. More than 1,500 men from the other side per GI! And if account is taken of the many thousands of peaceful inhabitants, this ratio becomes altogether fantastic! Such is the result of high technology and civilization! As people fell, the Dow Jones stock market index in New York rose. The prestige of the tenant of the White House also. A triumph! But for some reason or other this rejoicing is not shared in many countries of our planet. In many people's eyes America has not conquered but lost.

Yes, it has to be acknowledged that "values common to all mankind" were shot up on the shores of the Persian Gulf. In their place, mountains of corpses, ruins and ashes. And this was done from altitudes beyond the clouds, with the aid of space satellites and computers. And the man in the street in the United States, in West Europe, and in other regions saw on his television screens pictures with "graceful" combat aircraft, "elegant" tanks and "fire work displays" put on by the missiles of the multinational force. Something akin to an entertainment program for the idle viewers. U.S. military censorship put them on a sparing news diet in order not to resurrect the "Vietnam syndrome." Horrors reminiscent of Vietnam—there also children blown to pieces and other "unprintable" things—were left out of the frame...

And once again today, after the "victory," the United States and the other participants in the anti-Iraq coalition are still at it. They are bent on the total destruction of Iraq's independence and its armed forces. They are demanding that its leaders be put on trial according to the canons of the Nuernberg trials. But if the issue is framed thus, why is it exclusively a question of Saddam Husayn, not of those who in the "civilized world" were thirsting for blood, rejecting the calls for moderation, and the specific plans for a peaceful settlement of the crisis? The present devotees of a "new world order" also are entirely deserving of being in the dock for such deliberate barbarity and inhumanity.

One further problem cannot be circumvented either. Everyone should today be pondering the purpose of the United Nations. Until recently we were able to rejoice in its increased role in peaceful affairs and the settlement of conflicts in Southwest Africa, in Central America, and in a number of regions of Asia. But in the Persian Gulf this organization failed, to put it mildly, to find the right approach and even contributed to the unleashing of the bloodshed.

Former Indian Prime Minister Rajiv Gandhi declared not long before his death: "It is a bad thing when the great powers are in confrontation, but it could be even worse when they cooperate. Today we are encountering a situation where a great power is deciding how the problem should be settled. But such a decision should be made by the United Nations. The international community cannot be pushed into the adoption of such a decision. Nonetheless, it is this which is now happening and which is a kind of indicator of the future. Are we not moving toward a situation where one country will dictate to the world how to solve problems? Will we not reach a point where one country or a group of states appoints itself world policeman? We cannot permit this...."

In my view, the United Nations put itself in a very ambiguous position in the war with Iraq. I am convinced that to a certain extent this was a consequence of the imperfection of its present structure also. Specifically, it has long been time to give thought to changes to the composition of the permanent members of its Security Council, on which only the nuclear powers are represented. Of these, the majority are members of the NATO bloc. Why not bring in India or some other state representing the South and possessing the right of veto? Is it not anachronistic to preserve here the status quo in keeping with the situation in 1945?

And one further consideration in this connection. I refer to the likelihood of a protracted acute North-South confrontation. Losing confidence in the United Nations and no longer seeing for themselves the possibility of reliance on the former socialist community, some "Third World" countries (although even this definition is today losing its former meaning) could experience a growing temptation to also lay their hands on modern weapons, nuclear, chemical and biological included. Iraq has already attempted to do so, but was smashed. But dozens

of such Iraqs will emerge in the future, and they also could form blocs and groupings. They could come to have missiles also, in whose range would be London, New York, Paris and other cities of the North. By the year 2000 even, the Pentagon estimates, approximately 15 developing countries will be capable of manufacturing their own ballistic missiles. In the light of such prospects is it not naive to argue about the fact that the world is even now becoming a very safe place?

Also indicative is the fact that the George Bush administration adopted a disdainful attitude toward the peace initiatives of the USSR, which afforded an opportunity to avoid large-scale bloodshed in the Persian Gulf region and a return to a settlement of the conflict at the negotiating table. Was this not a challenge to its partner? Or was dealing with Iraq only several hundred kilometers from the Soviet Union's southern borders also

conceived of as a kind of veiled threat in its direction in the context of the increasingly high-handed attempts to interfere in its internal affairs? I personally do not rule out such a version. It is entirely possible that, having come to believe in their total license and superiority, the latter-day "liberators" and "civilizers" are already working on contingency plans in the event of the new-found leaders of the republics of the Transcaucasus or the Baltic requesting their "liberation" from "Soviet occupation." And once again under the cover of some UN resolution...

The tragedy in the Persian Gulf is an alarm bell for us also. Particularly now, when we have no Warsaw Pact, and NATO has demonstrated its combat power and high technology of mass slayings outside of its original "zone of responsibility."

MFA Aide Urges Unified Foreign Economic Policy

*91UF0873A Moscow PRAVDA in Russian 8 Jun 91
Second Edition p 5*

[Article by K. Ovchinnikov, candidate of economic sciences and deputy chief of International Economic Relations Administration of USSR Ministry of Foreign Affairs: "Dictatorship of Sovereignities and Economics of Foreign Policy"]

[Text] Geopolitical equilibrium, balance of power, national interests.... These constitute the underlying foundation of the foreign policy strategy and tactics of any state. Final, immediate, and long-range goals have been defined quite precisely—the survival of the human race. This will require the resolution of several global problems, the exacerbation of which is posing threats of varying intensity to the security of each country and the entire international community—the energy, environmental, and food crises.

All of these are elementary facts and common beliefs, but in our country their acceptance is being complicated by the fact that our foreign policy strategy and tactics must be planned and carried out in an atmosphere of dictatorship by sovereignities (at this time other forms of dictatorship are either in the formative stage or do not exist yet and show no signs of reaching fruition) and fierce though incoherent opposition on the part of some deputies of the USSR Supreme Soviet. Here is one example of a cavalry assault on our present foreign policy line. A question has been raised: Now that we have "lost" the socialist countries in Eastern Europe, who are our allies? the answer is that the more consistent and persistent we are in the pursuit of our domestic economic and domestic and foreign policy lines, the larger the group of our allies in the world will be. This group already includes dozens of countries. Only a few states are viewing us with restraint, based on a misinterpretation of the historical process. Therefore, the very concept of geopolitical equilibrium is gaining a qualitatively new meaning.

The question of allies and opponents of the reforms in the Soviet Union in the West warrants consideration for another reason as well. Some of our political analysts believe that there are forces in the world that do not want the USSR to have a strong economy. To prevent positive processes in the USSR, these forces are allegedly prepared to resort even to subversive activity. It is true that an economically strong USSR could become a dangerous rival for the West in the world economy, and not only for the West, but even if these forces do exist, they do not decide the foreign policy line of Western countries in relations with the USSR. No, the real threat to perestroika is not posed by external enemies or internal enemies with external prodding, but by our own half-baked and good-for-nothing politicians. There is also the other extreme. Some of our officials have alleged that someone has created the food shortage specifically for

the purpose of justifying the establishment of a dictatorship. The target of these allusions is easy to guess. This is truly a contest between purveyors of ludicrous ideas at the Vanity Fair.

How is this orgy of reciprocal accusations and complaints between the republics and the center affecting the interaction of the economy with foreign policy? The foreign economic activity of the USSR has always had a strong impact on the state of the national economy. The underestimation of this factor (although exports have accounted for only 6 or 7 percent of national income) led to a situation in which the reduction of imports paralyzed whole branches of the economy. On the other hand, the Soviet economy never had a strong positive impact on world economic ties in the past. Today our recession, however, is having a serious disrupting effect, particularly in the East European countries, and the reduced deliveries of Soviet oil to them are not the whole problem.

In the presence of effective economic interaction (and not mutual assistance) in the CEMA framework, the present state of the branches producing energy resources would be unthinkable. Now we are facing the prospect of becoming net importers of oil. Incidentally, should we view this prospect as a disaster? Might this not be an objective trend? Particularly when we know that the oil reserves of the USSR represent only a small portion of world reserves.

Let us return to the beginning. The survival of the human race and the resolution of the global problems listed above will necessitate the efficient management of the world economy and the coordination of the macro-economic policies of many states. Their interdependence is a commonly acknowledged fact, but without coordination it could give some countries an advantage over others. Some experience in this kind of coordination has been accumulated by the countries of the "Big Seven" and the OECD (24 economically developed countries). This is also being done in the European Communities. The USSR's establishment and development of political and diplomatic contacts with these organizations would probably give the Soviet State opportunities to become involved in this activity at some stage, but the opportunities would depend largely on economic relations within our union. The foreign policy potential of our country will depend on the existence of a unified economic territory and a corresponding unified foreign policy. The more states there are in the world community with their own foreign policies, the more difficult the coordination of economic policies will be, and if the USSR is represented by 10 or 12 different foreign policies, this kind of coordination will be absolutely unrealistic, especially if these policies are aimed in different directions. If these differences did not exist, then we would ask why we need so many foreign policies. This question is certain to irritate some people, but this

will not make the problem disappear. We should probably arrange for the "division of labor" in foreign policy between the center and the republics, but where should the dividing line be drawn?

Furthermore, the unified foreign policy should be based on a unified economic foundation. What are the chances of laying this foundation? Now the bricks are spaced so far apart that the whole thing could collapse. What would be the result? The loss of the state's functions in market regulation, outbursts of spontaneous action, and oil-cotton, wheat-combine, sausage-vodka, and other wars. This would ultimately cause another panic in the West and discourage political relations, and especially economic contacts, with the USSR and, of course, with the republics.

The issue of equivalent exchange between separate republics or the USSR as a whole and foreign countries is also extremely complex. As we know, the agreements concluded by some republics envisage the transfer to world prices and cooperation based on equivalent exchange.

A price war will introduce total confusion into the equivalency of exchange between republics and between the USSR and foreign countries. As we know, the agreements concluded by some republics envisage the transfer to world prices and cooperation based on equivalent exchange. The latter goal deserves the most fervent approval. The fact is that a persistent search for the principles of equivalent exchange has been going on for decades in international trade. This raises another question: If this goal can be attained in the exchange between two republics by setting prices accordingly, how can this be combined with the use of world prices, which, in the opinion of many countries, do not guarantee equivalent exchange? It will be important to consider these matters in advance, to avoid sclerosis, or even thrombosis, in foreign trade and in trade between republics.

The discussion of the country's foreign policy interests and the search for ways of ensuring geopolitical equilibrium in the present and future are going on against the background of the distressing state of the domestic economy. Our political theorists and analysts have had much to say and write about these issues. We would like theory to be brought "down to earth," to the level of practical applications. The most important question concerns the driving forces or motives of the foreign policy behavior of any country.

Something always breaks through all of the ornate trappings of political declarations—economic interest. It is common opinion that the protection of national interests requires efforts to exert stronger influence on other states. How? The reliance on armed force can be seen either distinctly or in camouflaged forms. It is impossible, however, to drive a tank into the world economy or to fly a fighter plane into it, particularly in view of the

fact that the reinforcement of an economy is usually incompatible with the reinforcement of military potential.

Interests can be divided into three groups: They can coincide, be mutually exclusive, or be completely separate. In this system of classification, the development of international trade belongs to the group of coinciding interests because all countries have an interest in its development. This is both true and false. Each country is interested in the development of trade because it is interested in deriving maximum benefit from it, and this is where interests collide. We know how intense bilateral and multilateral trade talks can be. Some examples are the "Uruguay round" (multilateral negotiations) and the dispute between the United States and Japan (bilateral relations). We need to introduce a fourth group into the system of classification—overlapping interests. After all, the interests of at least 150 countries overlap in this sphere. Each country must find its own spot in the overall interest to gain a fair share of benefits from participation in international division of labor. This is a highly difficult task, more difficult than counting tanks and missiles. It might even be impossible. If 150 lines cross, a point of intersection equidistant from the original 150 points has to be found. It must be equidistant because the benefits must not be equal for all, but must depend on the country's contribution to world economic operations.

In the foreign economic policy of our country, we still have to decide how open our national economy will be to the world economy and bring it in line with our foreign policy. Will the union treaty (in its present draft) eliminate the danger of a dictatorship of sovereignties? No, it will not! Everything will depend on the political and economic finesse of republic leaders.

Foreign Economic Specialists Advise Supsov

914A0865A Moscow IZVESTIYA in Russian 13 Jun 91
Union Edition p 2

[Article by Sergey Tsikora, Kiev: "Businessmen Enlighten Parliament Members"]

[Text] The Ukraine's Supreme Soviet enlisted the intellectual help of foreign specialists. It established under the republic's parliament a special consultative council of financiers, jurists, and politologists famous in the West.

This council includes on equal terms representatives of the Ukraine's scientific and financial circles. The goal of the new organization is to reduce the scarcity of knowledge and experience of parliament members during the transfer of the republic's economy to market relations. Therefore, people who have practical skills of work in foreign parliaments, are familiar with the methods and practice of preliminary "running in" of laws, know how to carry out large financial operations, and have information on the tendencies of the world economy were invited to the council.

The famous American financier George Soros, who is a member of the consultative council under the Ukraine's parliament, said the following at a press conference: "A good council is expensive, but we will provide the republic's main projects with the necessary level of expertise. The Ukraine is a promising country in terms of reforms."

The council includes specialists from Great Britain, Italy, Canada, the United States, France, Switzerland, and Sweden. Among them there is Kurt Fegler, former president of the Swiss Confederation, Lester Thurow, former member of the U.S. Government, S. Burenstam-Linder, Switzerland's former minister of foreign trade, and others. Today they are on boards of the biggest banks and head prestigious schools of economics and management.

Center Impedes Tax Legislation

914A0865B Kiev KOMSOMOLSKOYE ZNAMYA
in Russian 4 Jun 91 p 3

[Interview with A. A. Sugonyanko by I. Pogorelova: "They Taxed..."]

[Text] The tax system is one of the basic elements of state policy. However, during the year of work of the Ukraine's Supreme Soviet with it the Council of Ministers did not manage or was unable to develop an independent tax system, although it was being discussed constantly.

A. A. Sugonyanko, member of the Commission on Economic Reform, is convinced that this is not mere sluggishness...

[Sugonyanko] Twice—in December of last year and in February of this year—the Council of Ministers submitted a package of draft laws on taxes to the parliament for consideration and then recalled it. Why? Changes in the center's tax and financial policy had to be taken into consideration in laws!

Moreover, in their speeches agrarian deputies said that the draft laws, which finally were submitted in April, should not be adopted, not because of their imperfection, but only because Pavlov did not yet revise wholesale prices of agricultural products. In civilized countries tax policy changes with a change in economic conditions, but in our country, with changes in Pavlov's policy.

While hearing a great deal about the struggle for sovereignty, we do not see real actions.

[Pogorelova] The word "taxes" still sounds to us as a symbol of totally different management.

[Sugonyanko] But we strive for different management...

What does the Ukraine's present economic state demand from the tax system? First of all, the stimulation of economic activity by subjects of production. This is a strategic task. If we accomplish it, fiscal, stimulating, and regulating functions of taxes will be realized.

The problem of the budget deficit cannot be solved with high taxes. Only the stimulation of economic growth and awakening of enterprise and private initiative among wide strata of the population [can solve it]. However, the Ministry of Finance builds the tax system on the absurd price system, forgetting that price liberalization will also ruin the tax system.

At the same time, the tax system should ensure both a lack of deficit and self-financing for the development of the Ukraine's territories and regions. Local soviets should have sufficient freedom in the implementation of their own tax policy.

The state must make a clear division of taxes going into central and local budgets.

[Pogorelova] Is this not so in our draft laws?

[Sugonyanko] Judge for yourself. This is how enterprises of various sectors and forms of ownership are taxed:

- agroprom enterprises—20 percent.
- state construction organizations in the agroprom—four percent;
- planning organizations—12 percent.
- kolkhozes and sovkhoses—1.2 percent.
- cooperative banks and insurance companies—35 percent plus rates for specific purposes.
- trade and procurement cooperatives, 45 percent plus rates for specific purposes.
- cooperatives growing agricultural products—five percent plus rates for specific purposes.

As world practice shows, the application of a single tax scale, regardless of the form of enterprise ownership, is the most advanced principle of construction of the tax system. But in our country this principle is rejected and everything remains the same—anything to preserve the old system.

Imposing on kolkhozes and sovkhoses taxes, which are almost 30-fold lower than those on other enterprises, at the expense of the state budget and the taxpayers we finance not agriculture, but the kolkhoz and sovkhos system that has become bankrupt.

Imposing an almost 50-percent tax on cooperatives, we stifle enterprise and private initiative. And what has happened with taxation on cooperatives this year? The Council of Ministers exceeded its powers and without a decision by the Supreme Soviet stamped the decree dated 29 September 1989 of the UkSSR Supreme Soviet on taxing the income, not profit, of cooperatives, with which it placed the cooperative movement on the verge of destruction.

[Pogorelova] And nothing can be done?

[Sugonyanko] Our commission together with the trade union of cooperatives tried to get a deferment of settlements with the budget. This is how the provision of the Declaration of Sovereignty, which states that the UkSSR ensures protection for all forms of property, is being fulfilled.

The innovations of our finance workers with the introduction of rates for specific purposes retain state interference in economic activity, with which they decrease business activity and limit economic freedom. Furthermore, all investments, without the determination of priorities, are financed from the state budget. Don't we have enough incomplete construction projects?

[Pogorelova] What do you propose?

[Sugonyanko] In the Ukraine tax rates should be two to five percent lower than in the USSR. In addition to general incentives for entrepreneurship, this will interest enterprises in a transfer to the Ukraine's department. However, our crafty finance workers did not determine even the lowest (boundary) profit tax rate. This is a big secret. The bureaucratic system cannot do without secrecy.

We must determine the enumeration of funds, the investment of capital in which will be taxed at preferential rates, abandon the profitability limit, and, following other countries, change over from the turnover tax to the value-added tax. We must change over from multiple taxation on the capital of the consumption fund, including the capital for wages, to a uniform tax on citizens' income, introduce maximum privileges for the investment of the capital of enterprises in the development of the material base of culture and education, determine types of local taxes and their tax base, draft a law on local taxes, and immediately adopt the Decree on Cooperative Profit Tax Rates of the UkSSR Supreme Soviet.

Foreign Economic Bank Official on Hard Currency Relations

91UF0861A Moscow *EKONOMIKA I ZHIZN*
in Russian No 14, Apr 91 p 19

[Article by USSR Vneshekonombank [Foreign Economic Bank] Contractual-Legal Administration Deputy Chief Nikolay Mikhaylovich Chernyshev: "The Hard Currency Step Toward the Market"]

[Text] USSR Foreign Economic Bank Contractual-Legal Administration Deputy Chief Nikolay Mikhaylovich Chernyshev comments on the Law "On Hard Currency Regulation" that was adopted on March 1, 1991 by the USSR Supreme Soviet.

General principles for carrying out hard currency operations in domestic economic turnover and in the USSR's international payments have been defined for the first time in our country's history. The law takes into account both the principles for regulating operations with hard

currency assets that have historically developed in the Soviet Union and those principles on which market relations are being formed during the country's transition to the market. It also consolidates the unity of hard currency, the hard currency system, and the USSR's hard currency territory while simultaneously granting substantial rights in the sphere of hard currency regulation to federation subjects.

Since all sections of the Law have fundamental significance, it seems to be desirable to comment on each of them. However, we can only touch on some of the sections at a later date.

Assets and Operations

In contrast to existing laws, the concept of "hard currency assets" has been changed somewhat in the new Law. Specifically, bank payment documents acquired for foreign hard currency with the right to exchange them for such hard currency have been excluded from their list. In practice, it could be a question of USSR Vneshtorgbank [Foreign Trade Bank] Series D detachable checks or of USSR Foreign Trade Bank issued travelers checks in rubles with free conversion. Now foreign hard currency in accounts and deposits, which previously had not been taken into account in Soviet law, has been included on the list of hard currency assets. So, according to the Law, foreign hard currency deals between Soviet citizens and also between Soviet and foreign citizens on the territory of the USSR, both cash and non-cash transactions, are prohibited (Article 16, Paragraph 5).

The law has consolidated the practice that has developed in hard currency relations of dividing the subjects of such relations into "residents" and "nonresidents." In so doing, we must point out that the Law does not provide the possibility for foreign organizations or firms, that are registered abroad and that conduct economic or commercial activities in the USSR, to function on the hard currency territory of the USSR.

We must consider recognition of the hard currency operation associated with the utilization of USSR hard currency as a means of payment while carrying out foreign economic activity as a substantial provision. These operations, as can be seen from the text of the Law, must be carried out only in accordance with the procedure prescribed by USSR Gosbank [State Bank] (Article 2, Paragraph 4). Noncompliance with this procedure will bring serious consequences in its wake.

Hard currency operations are divided into routine operations and operations associated with the movement of capital. This division is important for determining the volume of hard currency rights granted by the USSR State Bank and the republic central banks to commercial banks in the licenses issued to them to conduct operations using hard currency assets. Furthermore, it seems that operations associated with the export of capital must be regulated by special standard acts that define the principles and procedures for investments abroad, including hard currency assets.

The Ruble and the Hard Currency Market

In this section, Article 2 contains very important provisions that relate to USSR hard currency operations. USSR hard currency—the ruble—is defined as the single legal payment instrument on the entire territory of the Soviet Union. In relations between residents, USSR hard currency must be used without restrictions in the payment of any demands or obligations. From this, one can conclude that obligations between residents in accordance with a contract that stipulates payment in foreign hard currency will be considered fulfilled if payment is made in USSR hard currency.

USSR hard currency may be the object of nonresidents' ownership if foreign currency obtained abroad and also USSR hard currency that is legally obtained is its source. Specifically, nonresident-citizens can obtain wages, inheritances, and other payments in USSR hard currency. Nonresident-juridical persons may obtain Soviet hard currency according to the procedure prescribed by the USSR State Bank (Article 2, Paragraph 4). It now defines the procedures and terms for opening nonresident ruble accounts in USSR banks which was previously carried out by the USSR Ministry of Finance.

According to Article 3, utilization of foreign hard currency, including assets that are in accounts and deposits, while carrying out payments on the territory of the USSR is also permitted according to the procedure prescribed by the USSR State Bank. In this regard, it appears that resident-juridical persons can utilize foreign currency on the territory of the USSR in economic turnover solely according to the procedures prescribed by the USSR State Bank.

Article 5 consolidates the provision concerning the domestic hard currency market in the country. In our opinion, these provisions compose the legal regulation foundation of hard currency market relations that are taking shape in the Soviet Union. The article of the Law being examined prescribes a series of basic factors defining what operations are conducted in the USSR hard currency market:

- only by residents;
- only through authorized banks; and,
- according to the ruble to foreign hard currencies market exchange rate (they have in mind that this exchange rate will not be regulated either by the USSR State Bank or by any other organ).

In the second section, the authority of USSR and republic ruling organs in hard currency regulation are defined. This authority is precisely delimited between the USSR and the republics. The Union-Republic Hard Currency Committee's functions are listed. It is recognized as the single manager of the union-republic hard currency fund, the size of which is determined by the USSR Supreme Soviet. The Hard Currency Committee

was founded from the union republic heads of government in accordance with the November 2, 1990 USSR Presidential Decree.

Furthermore, the section defines the functions of the USSR Banking System in hard currency regulation and management of hard currency resources. The USSR State Bank has been declared the main executive organ for state hard currency regulation and monitoring.

At the present time, the USSR State Bank has adopted "Interim Regulations on Procedures for Issuing Licenses to Commercial Banks for the Right to Conduct Foreign Hard Currency Operations" dated January 4, 1991 which defined the general principles for issuing licenses to commercial banks.

Besides the rights granted to authorized banks on hard currency operations, the Law placed on them very serious obligations and the primary one is the function of monitoring clients' compliance with hard currency legislation. Thus, the Law obliges authorized banks to conduct effective monitoring of the legitimacy of the hard currency operations being conducted by their clients. The primary directions of monitoring are defined in the text of the Law (Article 18). An accounting of hard currency operations conducted that banks obtain from clients is one of the monitoring tools. The procedures for submitting accounting records and their types, forms, and time periods for submission are defined by the USSR State Bank (Article 20).

Section 3 defines the principles for forming, distributing, and utilizing USSR hard currency resources while considering all-union, republic, regional, and sector interests. The Law calls assets that come into funds due to mandatory hard currency sales to the state or to state organs from resident-juridical persons' hard currency receipts the primary sources for forming hard currency funds. The amount in which mandatory sales of residents' hard currency receipts must be conducted and also the procedures for these sales are prescribed for the union-republic fund by USSR legal acts (specifically, USSR Cabinet of Ministers' resolutions); for the republic fund and the local authorities fund—by republic legislative acts (republic Council of Ministers' resolutions). The Law granted the republics and local authorities the right to attract hard currency resources from abroad under their responsibility to pay off the indebtedness which has emerged. This means that the republics and local authorities must receive hard currency resources under terms agreed to by the foreign partners for their own needs and it appears that their indebtedness should not be part of the USSR's state foreign debt limit which the Council of Ministers establishes in accordance to Article 6 Paragraph 1 of the Law. In so doing, the Union does not assume responsibility the indebtedness of the indicated organs that has emerged as a result of their activities for attracting assets from abroad.

Enterprises' Hard Currency

The November 2, 1990 Presidential Decree introduced mandatory sale of 40 percent of the hard currency receipts to the state from enterprises and organizations exports of products, work, and services. This is an emergency interim measure associated with the need to insure that a significant portion of the USSR's foreign debt is paid off in 1991. The Law does not provide for the existence of this state fund and as a result the USSR Supreme Soviet Resolution on putting into force the Law "On Hard Currency Regulation" tasked the government of the USSR to examine the practice of the application of the Presidential Decree and to make the appropriate suggestions to the President.

Enterprises' foreign economic activities are the primary source they have to form hard currency resources. Enterprises and organizations may have hard currency resources from hard currency purchases on the domestic hard currency market. The formation of this market began a little over two years ago when the USSR Foreign Economic Bank organized the sale of foreign hard currency at hard currency auctions in accordance with the USSR governmental decision (December 2, 1988 USSR Council of Ministers Resolution No 1405). At the present time, the USSR Foreign Economic Bank is conducting work to create a permanently operating All-Union Hard Currency Market in Moscow. According to a USSR governmental decision (August 4, 1990 USSR Council of Ministers Resolution No 776), hard currency markets may also be created in the republics and individual regions of the country.

Enterprises' hard currency resources may be increased by receiving hard currency credits at authorized banks under terms and according to the procedures established by the bank. An enterprise is not permitted to give another enterprise hard currency assets (the same as with ruble assets) as credit. In accordance with the June 4, 1990 Law of the USSR "On Enterprises in the USSR," an enterprise can give another enterprise only so-called commercial credit with payment of interest to buyers (consumers) for use of borrowed assets. These trade deals can be formulated via a promissory note (Article 27, Paragraph 5 of the Law).

The hard currency resources of enterprises and organizations must be kept in hard currency accounts and in deposits in authorized banks in the USSR. The general principles of conduct and the conditions for such accounts must be defined by the USSR State Bank, based on which authorized banks will open accounts for their clients. The Law provides for the opportunity for resident-juridical persons to open accounts and deposits in foreign banks according to the procedures and terms prescribed by the USSR State Bank (Article 15, Paragraph 3 of the Law). In standard acts that were in force prior to the Law's adoption, the juridical persons indicated were obliged to deposit all foreign hard currency that came into their possession into USSR Foreign

Economic Bank accounts or in other bank accounts opened in accordance with it.

The Law's standards that prescribe resident-juridical persons to repatriate to the USSR hard currency receipts that they have received from economic activity are of a fiscal nature since these residents are obliged to conduct the sale of hard currency from their own hard currency receipts from foreign economic activity to union-republic, republic, and local hard currency funds (Article 15, Paragraph 2 of the Law).

Enterprises and organizations have been granted the right to combine their hard currency resources on a voluntary basis to resolve common tasks. The obligations of enterprises and organizations to comply with the hard currency law standards and also the obligations of authorized banks to monitor their clients for compliance with this law must correspond with this right granted to enterprises. Authorized banks must stop attempts of individual clients to use their right to combine hard currency resources to conduct illegal operations for the purchase and sale of foreign hard currency for rubles.

Hard currency resources that belong to enterprises and organizations may be independently utilized by them (Article 13, Paragraph 2). It seems that the concept "independently" consists of the capability to use your own assets without outside influence, that is, orders of higher organizations or any other special authorizations for the purposes defined by the Law. This is primarily production and socio-cultural development of a workers' collective and also other purposes that do not contradict the law (Article 15, Paragraph 1 of the Law), for example, rendering charitable or other humanitarian assistance.

Soviet Citizens' Hard Currency

The right of ownership of hard currency assets on the territory of the USSR is guaranteed and protected by the state (Article 10, Paragraph 1 of the Law). The procedures for importing, converting, or remitting hard currency assets have been prescribed by the government of the USSR and are regulated by the March 31, 1989 USSR Council of Ministers Resolution No 266 "On Approval of the Provisions on Importing, Converting, or Remitting Soviet Hard Currency, Foreign Hard Currency, Other Hard Currency and Other Securities to and from Abroad" which as a result of the issuance of the Law "On Hard Currency Regulation" must be amended significantly. The attitude toward so-called "gift" sums of remittances must also be changed which at present are paid to the receiver of the remittance only in rubles after the 30 percent state customs penalty. It appears that these resources that have arrived in the USSR from abroad after payment of the state customs could be paid at the owner's desire in rubles or in foreign hard currency into their hard currency accounts in authorized banks.

Citizens can also have hard currency assets in their ownership that have been legitimately obtained or acquired on the territory of the USSR. These are hard

currency assets: acquired on the USSR domestic hard currency market through authorized banks, for example, purchase of foreign hard currency for rubles when a citizen emigrates abroad; obtained as an inheritance or gift with the formulation of these deals according to the procedures prescribed by law; acquisition for the purposes of collecting single foreign monetary instruments and money according to the procedures prescribed by law (Article 16, Paragraph 5). Furthermore, a citizen can become the owner of foreign hard currency during the division of a hard currency deposit of spouses at an authorized bank or in the case of the maintenance of a Soviet worker working abroad is transferred into hard currency assets not in the total sum but according to this worker's instructions, a portion of the assets is deposited into a hard currency account in an authorized bank in the USSR.

The Law defines that citizens' assets in foreign hard currency are subject to free deposit into hard currency accounts at authorized banks (Article 16, Paragraph 2). The USSR State Bank must define conditions for these accounts for all authorized banks. Until this Law is adopted, these conditions have been prescribed by USSR Ministry of Finance.

Assets in foreign hard currency that belong to citizens can either be sold for rubles to the authorized bank or transferred (exported) abroad with compliance with customs regulations during export of the owner's account abroad (Article 16, Paragraph 3). Thus, the owner of the assets, if he desires to transfer (export) them abroad, must submit a document to the bank that confirms the possibility of his emigration abroad (for example, foreign passport with visa). During the export of cash hard currency, a citizen must obtain a certificate at the authorized bank that will serve as confirmation for the customs institution of the legitimacy of the hard currency export abroad. For the first time in USSR hard currency legislation, the Law regulates issues associated with Soviet citizens opening accounts and deposits abroad. The possibility has been provided to have these accounts for the period of a citizen's stay abroad. In other cases, accounts may be opened only according to the procedure prescribed by the USSR State Bank (Article 16, Paragraph 4). Consequently, a citizen returning to the Soviet Union is obliged to close his account abroad and repatriate his hard currency assets to the USSR.

Economist Discusses Foreign Investment, Banking Strategies

91UF0851B Moscow NEZAVISIMAYA GAZETA
in Russian 16 Apr 91 p 4

[Interview with Economist Vitaliy Nayshul, USSR Academy of Sciences Institute of Economic Forecasting senior scientific associate, by NEZAVISIMAYA GAZETA Correspondent Ye. Verlin: "The Soviet Economy in Short Lines: New Directions of Economic Relations with the West"]

[Text] NEZAVISIMAYA GAZETA Correspondent Ye. Verlin talks with Economist Vitaliy Nayshul, USSR Academy of Sciences Institute of Economic Forecasting senior scientific associate.

Privatization

[Verlin] In one of your articles in NEZAVISIMAYA GAZETA, you proposed authorizing Western banks to issue their bank notes in the USSR. The proposal appears to be exotic and has hardly captivated the minds of the USSR Cabinet of Ministers.

[Nayshul] There is the fixed opinion that our country needs to stabilize monetary circulation. However, the problem is that there is no money in its true sense in the country. Money is what they will willingly sell you goods for. The Soviet ruble does not have this quality. You cannot legally exchange it for the majority of goods. But if you do not give a damn about the laws, you can keep yourself pretty busy completing the game which often is not worth the effort you put into it.... Right now the flourishing barter system is society's vote of no confidence in state money.

Under conditions of economic imbalance, increasing pressure on the government from various social groups will result in printing new masses of monetary instruments that are not guaranteed by goods. For now, the government does not have the real assets to restrain this process.

In this situation, enterprises will increasingly resort to the use of foreign (hard) currency as the means of payment. Is it not paradoxical that already right now currency has greater rights than the ruble. Any barriers are removed before it. But the fact is that there is not enough currency. It is extremely inadequate to establish commodity turnover.

If currency was "supplied" and if foreign banks (jointly with independent Soviet commercial banks or without them) could issue bank notes here, having promised to exchange them for dollars at a stable rate, this would be adequate for these bank notes to be used on a large scale during exchange. This issuing activity is very advantageous for the issuer but it is also extraordinarily advantageous for our national economy because it is incomparably more rational and effective than barter relations.

[Verlin] But does this practice exist anywhere in the world—issuance of securities by a foreign bank on the territory of another country?

[Nayshul] But those problems that we have in the Soviet Union do not exist in world practice. But then there is a similar type of practice: the partial replacement of the national currency with a foreign currency. For example, in Argentina the total volume of local currency that the population has is nearly equal to the total volume of money in circulation in hard currency, that is, in dollars. And this is a characteristic trait of the economies of all countries with high inflation. Why does the substitution

of local currency with dollars occur? If only because you can conduct and calculate long-term payments only in dollars.

Here the problem is complicated by the fact that we have quite unexpectedly been transformed from a state that controls everything and everybody into a state that is hardly capable of keeping anything under control in the economic sphere. And there is no hope that the government will be able to conduct any type of strict and consistent economic policy while at the same time ignoring those pressures that are being exerted against it. And therefore, one should not expect hard state money during the impending period. At the same time, the national economy's need for real money is colossal.

[Verlin] And you propose satisfying this need by issuing "private money," by privatizing that function of the state that is always considered inviolable? Is there at least a theoretical premise to do this?

[Nayshul] Nobel Prize Laureate Friederich von Hayek, author of the now famous book "Denatsionalizatsiya deneg" [Denationalisation of Money] developed this idea. It is a theory for now and there is no private money.

What is the urgency for our country of the introduction of "private money"? That critical pressure that causes inflation exists in all Western economies. Both the dollar and all other currencies inflate. But the question is how stable those socio-political structures are that permit them to control inflationary processes. In Western countries, they are much, much stronger than in our country. And this is the first argument in favor of introducing "private money" into the USSR.

The second argument is: utilization of "private money" permits us to avoid cyclical fluctuations in the economy because they are caused precisely in many ways by the state's inability to issue high quality money.

[Verlin] And what specifically must "private money" look like?

[Nayshul] They can be some bank's bank notes whose soundness the bank guarantees with all of its assets. And naturally the bank-issuer must have guaranteed interests in the USSR—otherwise there is no sense for the bank to launch its activities here. Incidentally, a Soviet bank also can be involved in this. But Western banks have a marked advantage: they enjoy greater confidence in business circles than Soviet banking structures—both the newly-emerged commercial, alas, and state banks.

[Verlin] But similar suspicions can also appear on our side. I have in mind the possibility of some sort of financial "sabotage" which Prime Minister Valentin Pavlov specifically spoke about recently.

[Nayshul] First of all, I would repeat that argument that American economists have cited to their own population with regard to real estate purchases by the Japanese in

the United States. Well, let us assume that the Japanese purchase land. What will they do, take it and ship it to their own country?

[Verlin] But in our country the phobia is strong that Western capitalists will come here and buy everything in our country....

[Nayshul] In order to cure ourselves of that phobia, it is useful to turn the situation around and imagine ourselves in the place of the entrepreneur or banker who places his capital in the United States, Japan, or some other country, especially in an unstable country and personally experience what investors experience who are constantly taking risks because the fate of their capital abroad depends on the situation in some country or other and on the laws that are adopted there, etc. In our variation, for the time being, we do not have to fear the greed of potential investors but the fact that there will not be any proper investors at all.

The quality of investments depends to a significant degree on the political and economic climate in our country. If this climate is unfavorable, foreign investors' participation will resemble deals made under the table. On the one hand, prices will be unfavorable for us and, on the other hand—normal "proper" business will not come to our country.

I would like to quote my Chilean economist-colleagues who have said that, despite President Pinochet's extremely successful economic policy, major American banks moved into Chile only after democratization had occurred there. And we need to always keep that factor in mind when we are making some or other political and economic decisions. Right now they always write in the newspapers: in the event of some sort of political repression, the West will refuse us credit, aid, etc. It seems to me that this is a secondary matter as compared to the possibility that the quality of business arriving here and doing business with us will decline and the terms of business deals will worsen.

[Verlin] As far as I recall, Western entrepreneurs will increase their aggressiveness in our country to the extent that de-nationalization and privatization occur in the national economy. But until now the juridical-legal base and the privatization mechanism have not been completely created....

[Nayshul] Nevertheless right up until January 1991, the process of spontaneous privatization has been progressing very actively. Using certain methods that are associated with recent innovations in legislation, the possibility has opened to "nearly" privatize state enterprises.

In December, I had the impression that it was already impossible to stop this process because it was as if all of the political forces in it had been activated, including the nomenklatura strata. But the first months of the new year have shown that this opinion was in error. The armed forces have turned out to be inactive in this

process and the defense complex has turned out to be inadequately active. This is all the more sad since the defense complex has far greater opportunities for export operations than the range of enterprises and businessmen who are participating in this right now.

It seems to me that chronic xenophobia and the military-industrial elite's interests are impeding the defense complex from heading in the needed direction. Military-industrial complex enterprises produce the highest quality work force and specialists and receive the best raw materials and materials. On the other hand, right now demand for their keen product is declining for well-known reasons.

But this is madness—to compel them to manufacture consumer goods. They must make a technically complicated product, that is, function in a totally different technological niche. And their precise division into two groups is the only method for defense complex enterprises to survive and thereby preserve the country's scientific-technical potential: Those who in their previous state must continue to function (while proceeding from their need within the framework of the new defense doctrine), and the group of enterprises (the larger portion) whose production must be reoriented to the output of nonmilitary high-technology products for the foreign market. But we need to first of all obtain a significant portion of the source materials from the West and, second, raise management to the world level in order to insure the normal functioning of this second group of enterprises.

From my point of view, this is practically possible only if these enterprises will be SOLD to Western capitalists for the country's benefit. Because only the latter can insure the enormous technological spurt while conducting modernization of production capacity. Otherwise, I am afraid that an unenviable fate awaits both these enterprises and our entire country: them—because there are no real consumers of their product here or abroad and, the country—because they will render very serious resistance to market reforms because the latter will not bring them any good.

[Verlin] Do you have in mind the consequences of reducing arms production?

[Nayshul] Yes. And there is one more factor here. Our economy has been transformed from a centrally managed one into a barter economy. Already right now those enterprises and regions that do not produce consumer goods are really suffering from the fact that they cannot obtain energy products, raw materials, etc. What is there left for them to do in this situation? Obviously, advocate all possible consolidation of central power in order for the state to seize resources from somewhere and give them to these enterprises. But this will be an unsuccessful way out in all respects because those enterprises that have already closely approached the market model will be subject to restrictions. (The existence of a state

that interferes in the free flow of resources—this is always an impediment for the entire economy.)

The situation that exists in the defense complex for the time being is a dead end: it will result in stagnation both in the civilian and in the military sector.

[Verlin] The transition of part of industry to priority development of export production using foreign components is forming thousands of export-import lines that fall out of the national economy.

[Nayshul] The work of enterprises for export using foreign components—this is the classical method of developing countries. At first, assembly production operates from the foreign market and to the foreign market but later it begins to use local production and to sell its items within the country.

The preservation of existing (although already undermined to a significant degree) technological lines in our autarchic economy, where everything is extracted, processed and consumed within the country, seems even less probable in the background of the expansion of this production. It is clear that the opening of the borders will result in a very large export of raw material resources to private entrepreneurs. And therefore further price increases of raw material resources will occur simultaneously with the reduction of demand for low quality finished products. And this will place the Soviet processing industry in difficult conditions. It will replace that production that operates on imported components. Accordingly, long domestic economic lines will be replaced by short lines based on export-import operations.

[Verlin] And from your point of view, this economy will be more effective as a transitional model than the current one?

[Nayshul] I think that we need to assess these changes with a plus sign. Although I would make certain reservations. First of all, income from growing Soviet exports will mainly go toward expansion of export production itself and not toward the output of goods for the Soviet consumer whose real monetary demand will be relatively low compared to foreign demand. That is, the situation will develop as follows: the population's extremely low standard of living within the country will be preserved along with the rapid growth of the USSR's exports.

[Verlin] But in that case the masses will become even more greatly dissatisfied and those people who want to return to a totalitarian, autarchic system will exploit it....

[Nayshul] The general low level does not signify that individual groups of workers—specifically, those who work in export production—will not be able to obtain very reasonable incomes. That is, the opportunity will appear for the more dynamic, capable workers to earn good wages. As for the dissatisfaction of the main masses, several factors will interact here. On the one hand—the people's amazing long-suffering that can be

reinforced when they see the "light at the end of the tunnel" and, on the other hand, the psychology of unwarranted wage leveling among a significant portion of the people who have a hard time reconciling themselves with the fact that someone is living a lot better due to greater entrepreneurship, etc. But here we are already setting out into the sphere of social psychology....

As for the economic forecast, I would like to reinforce it using the Chilean example. One of the most radical and successful market reforms in history was undertaken in Chile during the second half of the 1970's. But it did not bring rapid results from the point of view of raising the standard of living: it once again attained the level of 1973 indices only in 1988. And this demonstrates how much public resources are being expended for real perestroika. Right now we can compare the Chilean economy with an athlete who does not have an ounce of fat under his jersey—only muscles. Chile produces an extremely powerful impression precisely through its dynamics and the smoothness of the economic mechanism.

[Verlin] But if Chile needed 15 years, when will we see the "light at the end of the tunnel"? In our country, even the juridical-legal construction of the market society has not yet been formed.

[Nayshul] Foreign observers usually judge our progress toward the market according to those laws which are adopted above. But we need to look at what is really happening in the lower strata. According to my observations, spontaneous privatization is proceeding apace. It remains to be hoped that a wrench will not be thrown into the works of this process.

Restrictions on Barter Deals Examined

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Union Edition p 2

[Article by V. Romanyuk: "Goods for Goods: Why a Ban on Barter Operation Has Been Imposed"]

[Text] In the course of hearings on the anticrisis program in the national parliament, Premier V. Pavlov was asked a direct question: Why has the government turned against barter deals?

"Barter deals," he said, "are a plunder of our country; it is a sham. It is an attempt to bypass the tax legislation and state interests, and to pocket the money that does not belong to you."

This extremely harsh judgment came to my mind when I received the USSR Goskomstat [State Committee on Statistics] press release on operations involving goods exchange (barter). It says, among other things, that Soviet enterprises and organizations' limited opportunities to acquire the needed technological equipment, raw materials, semifinished goods, and consumer items on the world market for freely convertible currency had

created conditions for fast development of barter cashless operations. In 1990, Soviet enterprises were involved in mutual barter deliveries with companies in almost 70 countries. The volume of these operations reached 2.6 billion hard currency rubles [R] a year.

In barter operations, exports exceed imports by a factor of 1.9. This imbalance is especially great in operations involving goods exchange with developed capitalist countries; in payment for products imported from this group of countries, the Soviet side exports 4.2 times more goods!

The USSR Goskomstat release says that, in 1991, barter deals have been suspended in the interest of improving the equilibrium in the national economy and getting import-export operations in order. Currently, these operations are permitted only for enterprises in the system of the USSR Ministry of Trade, the Union of Consumer Societies, and the USSR State Committee for Material and Technical Supply. This decision is explained by the following: The primary object of barter operations are raw materials, which, if they are sold for hard currency instead of being directly bartered, could bring the country 0.8 billion in income in freely convertible currency. Instead, we get consumer goods in a nonequivalent volume and of insufficiently high quality.

Here are the figures for goods exported through goods exchange operations in 1990: 2.5 million tons of coal; 3.8 million tons of oil and petroproducts; 5 million tons of iron ore and pellets; 101,000 tons of scrap iron and ferrous metals waste products; 82,000 tons of steel ingots; 529,000 tons of rolled ferrous metals; R112,000 worth of chemical products; 1.7 million tons of fertilizer; 879,000 cubic meters of lumber; 65,000 tons of meat and meat products; 79,000 tons of fish and fish products; 53,000 refrigerators, 1.8 million watches, and 29,000 television sets.

And here is what has been imported through the goods exchange operations: R26 million worth of equipment for the food flavoring industry; R39 million worth of computer and office equipment; 3,800 passenger cars, 9,900 tons of cotton fibers, 16,000 tons of meat and meat products; 7,700 tons of butter; 369 tons of cheese; 102,000 tons of potatoes and vegetables; 76,000 tons of fresh fruit and berries; 558 million units of cigarettes; 95 million meters of fabrics of all kinds; R25 million worth knit goods; 28 million pairs of shoes; 20,000 sewing machines; and 38,000 television sets.

Whose toes did all this barter step on? The USSR Goskomstat Administration for Foreign Economic Relations could not provide a clear answer, simply repeating run-of-the-mill arguments. That we allegedly export at low prices products that could have brought substantial hard currency income.

We got a more definite opinion from the State Foreign Economic Commission Chief Specialist Yu. Chubarov: The shortcoming of the barter lays in the fact that all profit from barter deals—which are usually conducted

outside of the banking system—stays with the enterprise, and the budget gets nothing. At the same time, there are many agencies that do not have access to foreign markets but are in dire need of hard currency—for instance, health care and culture. Besides, the deals are conducted clearly at a loss to the Soviet side.

The latter I have had a chance to observe myself, researching the problem in Harbin and Beijing. The overwhelming majority of the protocols of intent, signed by Soviet entrepreneurs, remains unrealized. Or all the this boils down to delivering to China a limited assortment of goods—metals, fuels, fertilizers, and timber—and receiving mass consumption goods, computers, and thermoses in exchange.

Nevertheless, with all its shortcomings, barter has always played an important role in our relations with socialist countries. Starting 1 January 1991, however, we changed over to using world prices and settling accounts in freely convertible currency. We are becoming civilized, after all! We do not have any hard currency reserves, and at the same time we drop the settling of accounts in ruble equivalency. What did we get as a result? According to Yu. Chubarov, our trade with socialist countries fell to one-third of its previous level. Now, in order to correct the situation, we have to resort to the liberalization of trade exchanges. For instance, it is permitted to spend one-quarter of the earned currency on purchases of consumer goods. The ban does not extend—as it did not extend before—to the coastal and border-zone trade, freight compensatory operations, and trade-assortment exchange. At this point, strict limitations remain in force only in the area of oil and petroproducts deliveries. For all other goods, Article 7 of the resolution is in force, whereby the enterprise keeps 60 percent of its hard currency earnings for selling goods produced in excess of planned quotas.

A strange situation has emerged in regard to barter. On the one hand, the Union Government introduces bans and demands that all settlements with other countries be made in freely convertible currency; on the other hand, a below-the-surface liberalization of the process is underway for the simple reason that these proscriptive measures are impossible to implement. But even those restrictions that have, in fact, been introduced, are already causing extreme anguish in the republics. The problem of barter was brought up as one of the issues of substance in the course of discussion of the anticrisis program at the latest joint meeting of the USSR Cabinet of Ministers and the leadership of sovereign republics.

An "assassination attempt" on barter has serious underlying reasons: All potential sources of hard currency income have been exhausted, and we are still 15 percent short of the needed level. These are the resources that are swallowed by barter. It would be good for the statisticians to estimate, though, what our losses will be if we lose barter. Yes, it is not a civilized form. But the transition to a civilized market is not as simple as walking from one room into another. Our former

Comecon partners are also inclined to believe that barter has not exhausted its possibilities—perhaps, in combination with clearing and other forms of partnership.

Statistics on Functioning Joint Ventures Reported

91UF0862A Moscow *EKONOMIKA I ZHIZN*
in Russian No 15, Apr 91 p 10

[Letter to the editor by Economist T. Valyanov, Izhevsk, and unattributed response: "Joint Ventures: How many, Where, and What Are They Doing"]

[Text] I often hear that of the several hundred joint ventures that are in the country many exist only on paper. I would like to learn more in detail, how many joint ventures are involved in industrial production, how many workers are employed at them, are there major joint ventures among them and what do they produce?

T. Valyanov, economist Izhevsk

USSR Goskomstat [State Committee for Statistics] reports that there were 430 joint ventures in industry at the beginning of 1991 and more than 350 of them were producing a product. The total product (work, services) production volume totaled 2.3 billion rubles and the number of personnel directly engaged in production was 47,000 people (there were over 100 enterprises with a production volume of R0.6 billion and 14,000 workers at the beginning of 1990, respectively).

According to 1990's results, the (work, services) production volume was an average R6.5 million per industrial joint venture. Of the total number of joint ventures at 28 enterprises, the total annual (work, services) production volume exceeded R20 million. These enterprises produced half of all joint ventures' industrial production in industry. Annual volume exceeded R30 million at 15 enterprises (their share is 38 percent of total joint venture production volume).

If, according to 1990's results, there are an average of 129 personnel directly engaged in production at each industrial joint venture, this number exceeded 500 people at just 15 of the total number of joint ventures. The number of workers of these enterprises totaled one third of all those directly engaged in production at joint ventures. At six joint ventures, the number of workers exceeded 1,000 people (their share is one fifth of the total number of joint ventures' personnel directly engaged in production).

Sovplastital, Lenvest, Rasskazovo-Invest, Ryazanvest, Belvest, and Lokos-Marvol are among the largest joint ventures in industry both in production (work, services) volume and in number of personnel.

In the territorial aspect, industrial joint ventures are in 10 union republics. There are no joint ventures in Azerbaijan, Kyrgyzia, Tajikistan, Armenia, and Turkmenistan.

Joint ventures produce various types of industrial products. Thus, in 1990, Sovplastital Joint Venture produced 3,000 tons of plastic products and R2.6 million worth of toys; Telur Joint Venture produced 138,000 telephones; Khomatek produced 27 automatic and semi-automatic lathes worth nearly R5 million; Kranlod Joint Venture produced 64 cranes on pneumatic tires; Blesk Joint Venture produced R9.6 million worth of technological equipment for clothes dry cleaning and spare parts for them and 427 clothes dry cleaning machines; Sovventekstil Joint Venture produced five million square meters of cloth; Rayfl-Krasnodar Joint Venture produced R65.5 million of clothing; Lenvest, Ryazanvest, and Belvest Joint Ventures produced 1.9, 3.5, and 1.6 million pairs of shoes, respectively; and, Estkompeksim produced 1.1 tons of ice cream.

First Students Complete Franco-Soviet International Management Courses

91UF0851A Moscow IZVESTIYA in Russian 4 Jun 91
Union edition p 7

[Article by Yu. Kovalenko, Paris, under the rubric: "IZVESTIYA Correspondents on World Events": "The First Graduation of the Franco-Soviet Courses Students: 'Masters' of Management and 'Mishka' Candies"]

[Text] Masters diplomas were presented to the first graduates of the Franco-Soviet International Management Courses during a solemn ceremony at the Paris Chamber of Commercial Industry [PCIC]. Nineteen Soviet and two French specialists became the first graduates.

These management courses are organized on a permanent basis by the Paris Chamber of Commercial Industry jointly with the Soviet All-Union Academy of Foreign Trade within the framework of a bilateral Agreement on Cooperation in the Sphere of Training Personnel for Economic Activities. It was signed in July 1989 during M.S. Gorbachev's visit to France. "Its goal," stressed PCIC President Bernard Camburnak, "is to train specialists of the two countries to manage enterprises under market economy conditions while considering international competition and thereby promote the integration of the Soviet Union into the world system of economic ties."

Study at the courses, which is being primarily financed by the French government, began in September 1990 in Moscow at the All-Union Academy of Foreign Trade and continued until February 1991. Professors from France's and the USSR's higher educational institutions—primarily from the schools of international management—participate in teaching which is conducted in French. (I will note that 10,000 students and 40,000 on-the-job trainees annually undergo training at the PCIC's 32 schools).

Practice, as is appropriate, followed theory. During the course of three months, the future Soviet managers completed on-the-job training at major French firms,

enterprises, and banks—Bull, Siman France, Oreal, Renault, Credit Lienne, and others. As for the French students, Isabelle Nicole became acquainted with the specifics of our production at the Krasnyy Oktyabr Plant and Loran Luzk at the Vtoroy chasovoy zavod MPO.

"While studying French experience," said Vladimir Solovarov, one of the graduates, during a conversation with one of our correspondents, "we received the unique capability to deepen our professional knowledge in the management of production in correlation with foreign trade—two components of a single process. In our country, these components were separated from each other for a long time. I know this through my own work experience at Uralmasheksport Association.

"Furthermore, studies at the courses and during the subsequent on-the-job training," continued V. Solovarov, "permitted me to establish closer contacts with my French partners. We not only studied the management systems of firms but we also participated in resolving practical problems. By way of illustration, I performed on-the-job training at the firm KNIM [expansion unknown] which is working with the Soviet Union and, specifically, is building turnkey refuse processing plants."

Here is the opinion of another graduate—Aleksandr Kisler, deputy director for marketing for "Region" Joint-Stock Company (Orenburg): "I think that we can now better imagine what a market, its specific features, and the entire economic world as a whole signify. During my studies and on-the-job training, I also worked for my own firm, establishing direct business ties: I prepared several deals and signed a protocol on intentions. Representatives of Sosete Freshar Industry, where I performed on-the-job training, have already visited our association in Orenburg and we expect them once again on June 20."

The French side, noted B. Camburnak, is satisfied with the first results and thinks that this form of cooperation has a good future. It has already selected 26 Soviet students—there were over 50 competitors—to attend the following courses. They expect five Frenchmen to study with them in 1991/1992. The new program consists of lectures and practical exercises on marketing, international commercial strategy, various aspects of enterprise management, international commercial law, the activities of companies in foreign markets, etc.

Well the ceremony to present diplomas to the students of the first graduation and the dinner that followed at the PCIC ended when the cheerful and ruddy Isabelle Nicole began to treat everyone with "mishkas" and other delicious candies from the Krasnyy Oktyabr Plant. It seems that everyone liked the sweets. But the refreshments—as it normally occurs in the business world—had an "aim." The 23-year-old French woman, who has perfectly mastered Russian, is seeking a partner and wants to create a joint venture in the Soviet Union, obviously with Krasnyy Oktyabr's participation.

And our specialists, skilled in the French capitalist field, judging by everything and without dawdling, intend to extract some benefit from the experience they have acquired. Some of them do not hide their intentions to also create their own business ventures upon returning home. They are now "masters"....

BMW To Open Service Centers, Insurance Offices in USSR

91UF0898A Moscow ROSSIYSKAYA GAZETA
in Russian 18 Jun 91 p 2

[Article by Vitaliy Leonidov: "BMW' Is Breaking into the Market"]

[Text] As a serious firm should, BMW began a new deal with an ad. Last Friday while recording the popular television program "Utrennyaya zvezda" [Morning Star], a shiny limousine drove out onto the stage and Mister Mala stepped out of it to talk about his firm and the plans for its activities on the Soviet market.

This year BMW plans to sell 250 automobiles in our country. That is very little if you compare it with the 500,000 BMW's produced annually. But it is one and a half times more than last year. The firm has not rushed to master our market and is now forced to catch up with Mercedes, Volvo, and other competitors who have moved out in front.

Whom are the Germans counting on? Naturally, they are not counting on the broad consumer since even on the Western market only those people whose income is significantly above average can permit themselves the luxury of a BMW. In our country, the primary purchasers of prestige automobiles are transportation and service enterprises that serve foreigners and who have hard currency. But there is also an advantage for those owners of Zhigulis and Tavriys who have offended fate.

The fact is that BMW plans to create a normal service network for its consumers. The first technical service center will already appear by the end of this year. In line are centers in Tallinn, Riga, Leningrad, and Kiev. ASKO Insurance Society completes the circuit.

"We looked for the opportunity for a long time to bring automobile insurance in our country up to the European level," ASKO General Director G. Fidelman explains his position. "So that a person could report a breakdown to an insurance agent and not have to worry about anything else, knowing that he will receive a totally restored automobile. But this is impossible in today's real conditions: the only guarantor of a quality repair is the owner himself and that is only if he stands directly over the mechanic's "heart." In partnership with BMW, we will be able to develop a normal insurance plan and later, naturally, we will transfer this experience to all of our clients."

I think that we can believe this promise. And not because philanthropists have assembled at ASKO. Simply a client's damages are always an insurance society's direct losses. And it is no accident that ASKO specialists have already appeared at intersections in Moscow where accidents most often occur and they are financing their reconstruction right up to construction of underground crosswalks.

These are the laws of a normal market. The appearance of a new competitor in the market is also advantageous for the consumer. Even if you and I personally do not ever have the opportunity to drive a beautiful BMW automobile.

IBM Opens Moscow Branch

91UF0899A Moscow IZVESTIYA in Russian 19 Jun 91
Union Edition p 1

[Report by Vl. Arsenyev: "IBM Without Borders"]

[Text] On 17 June IBM, the world's largest computer company, held a news conference at which it officially announced the opening of its USSR branch.

IZVESTIYA has already written twice how, after a 10-year pause, IBM restarted its entry into the Soviet market. It was only last year that the company decided to deliver to the USSR a wide range of the latest electronic machines and software products. In the beginning of 1991 the management of IBM World Trade/Middle East and Africa Corporation met with the USSR president and prime minister. Renato Rivero, chairman of the corporation's board of directors, recalled this meeting during the news conference and emphasized that these negotiations made it possible for the company to open a branch in Moscow while retaining 100-percent ownership. It became clear to all those present that IBM has come to our country to stay. Moreover, R. Rivero said that the corporation is now ready to actively participate in the development of Soviet society.

Numerous questions from Soviet and foreign correspondents brought out a clearer picture of IBM's immediate future in the USSR. In addition to conducting its operations for hard currency, the company is ready to do business with Soviet partners for rubles—especially in the area of software support and user training on IBM equipment. The company is already working with the USSR State Committee on Education to develop computer classes for secondary schools. During the first stage of this project, 13,000 personal computers will be delivered to 1,100 schools. It was announced, however, that IBM is ready to increase deliveries to 40,000 computers. The company is also working on another project, with Aeroflot, to computerize passenger airline reservations.

Answering a question from an IZVESTIYA correspondent on its relationship with competitors on USSR territory (in addition to IBM, Siemens, Hitachi, and other companies are making their way onto the Soviet market), Renato Rivero said that IBM has sufficient

experience of working in a competitive environment and intends to maintain its leading position in the USSR...

For reference. IBM was founded in 1914. It is headquartered in Armonk, New York, the United States. IBM operates branches in 130 countries. In 1990 its annual revenue exceeded \$69 billion. Within its European branch (headquartered in Paris), IBM operates 12 plants, nine laboratories, five software development centers, and nine research centers.

Korean Tourist Office Opens in Moscow

91UN0899B Moscow IZVESTIYA in Russian 21 Jun 91 Union Edition p 2

[Report by Ivan Zhagel from Moscow: "Should We Make a Trip to Korea?"]

[Text] **Korean National Tourism Corporation (KNTC) has opened a representation in Moscow; KNTC is a state-owned nonprofit organization involved in developing tourist ties between the Republic of Korea and other countries.**

After the Moscow representation is opened it is expected that a series of exhibitions and other events will be organized in various cities of the Soviet Union; they will demonstrate our southwestern neighbor's potential for providing hospitality to foreign visitors and arranging their leisure. It is unclear, however, whether an active reaction on the part of Soviet citizens can be expected—at least, until the ruble is made convertible.

Nevertheless, the KNTC director in Moscow, Mr. Soo Hwan Chung, is full of optimism. He said that since 30 September 1990—the date diplomatic relations were established between our two countries—the number of Soviet citizens visiting the Republic of Korea has been steadily growing. During the four months of this year alone the number of Soviet tourists exceeded 14,000. It is not much in comparison with other countries, but they did start practically from ground zero.

KNTC plans include promoting trips by Koreans to our country. By the way, it would be useful to remember that every day of a foreign tourist's stay in our country brings \$50 to \$200. The corporation is also involved in a number of projects that involve direct investment by Korean firms in the development of the tourist industry in the Soviet Union.

Sweden Sets up Job Centers in Estonia

91UF0833A Stockholm DAGENS NYHETER in Swedish 4 May 91 p 6

[Article by Ake Ekdahl: "Sweden Teaches Tallinn"]

[Text] Sweden is going to teach Leningrad and Tallinn how Swedish labor market policy works. Ten million kronor have been earmarked for setting up two office to provide job placement and vocational training services for the unemployed in those two cities.

Backing the project for developing labor market policy in this region of East Europe are the Ministry of Labor, the AMS [Labor Market Board], and the AMU [AMS Vocational Training Office]. The government will pay the costs, and the AMS and AMU will provide local representatives with know-how.

"A Swedish delegation is prepared to cross the Baltic immediately and is waiting only for the go-ahead from Soviet and Estonian authorities," DAGENS NYHETER was told by Agneta Spetz, first secretary to Minister of Labor Mona Sahlin.

In January, the minister of labor earmarked 60 million kronor in the state budget for "new thinking and creativity" in labor market policy.

Of that amount, she set aside 10 million kronor for the government's discretionary use, but she did not say much about what the money would be used for. In just three lines, Sahlin wrote somewhat mysteriously that the funds available to the government should be used to develop labor market policy in East Europe.

No Longer Taboo

The ministry is now ready with a program that can link up with the mental adjustment taking place at least in Tallinn—the adjustment to the fact that private enterprise and a different economic system involve unemployment. It is no longer taboo to talk about the unemployment which in fact already exists there. But there is no know-how or preparedness for dealing with it.

Moscow placed conditions on how the Swedish innovation should operate. The solution was a divided arrangement, with labor exchanges to be set up in both Leningrad and Tallin at an initial cost of 5 million kronor each.

The host cities will provide suitable premises and interested personnel who want to learn from the Swedish labor exchange service.

The AMS was previously involved in similar activity in Poland, but otherwise there is no experience with transplanting Swedish public-sector activity in this area to a labor market which officially does not exist.

In Sweden, however, observers of the Eastern countries say that this action by the government and the AMS is coming at just the right time. The decision on the free zone in Leningrad and the privatization of firms in Estonia are expected to result in a degree of mobility in a labor market that has been completely static and obstructed by overemployment combined with low productivity in industry, white-collar work, and the bureaucracy.

The transformation of state enterprises into joint stock companies or companies owned by the public and new joint ventures with foreign capital will also require new thinking in the labor market area.

Tallinn has progressed the furthest and is making plans to deal with the unemployment that a labor market necessarily involves. Vocational training for the unemployed, retraining, and job placement have been unfamiliar political concepts until now.

Although things are beginning to happen, many difficult obstacles to a free economy still await Swedish labor market and vocational training experts. There is also a lot of tension over the question of who will get the available jobs.

Shape of New Laws

An important decision in principle concerning foreign investments was made recently when Sweden's Statoil firm established an almost entirely foreign-owned subsidiary in Tallinn. Many people now say that Statoil will be able to shape the new investment laws in Estonia precisely because it was first on the scene.

But as long as investment protection is lacking, the many big foreign investors will stay away. A kind of Swedish or Nordic venture capital fund would make it easier to get the economies in the Baltic states moving.

Sources at the Swedish Export Council say that in that process, it is also very helpful that a Swedish system for a functioning labor market is being introduced in good time.

Yemeni Businessmen Eager To Trade With USSR

91UF0817A Moscow IZVESTIYA in Russian
28 May 91 Union Edition p 7

[Report by Marina Popova: "The Use of Truisms—Businessmen From Yemen Are Amazed as to Why We Are Letting Profitable Deals Slip"]

[Text] Sanaa—If you happened to run into these four people separately, it would hardly occur to you that they were related. But when they are sitting next to one another, there is not a shadow of doubt: They are relatives. So different, they complement one another, as it were. They are the Shemmakh [name as transliterated] brothers—the owners and managers of one of Yemen's biggest commercial and industrial firms, whose capital is put at several tens of millions of dollars.

Today they have a solid reputation not only in Yemen, but in adjacent countries also. And it is no longer just matches, sugar and our aluminum dishes which are in demand today, even among the pilgrims, but also automobiles and spare parts for them, domestic electric appliances and computers, and modern building materials and equipment are on the list of commodities the firm purchases in West Europe, the United States, and Japan and sells on the local market. There are on this list Soviet goods also: "ZIL," "Saratov" and "Minsk" refrigerators, "Minutka" pressure cookers, gas stoves, vacuum cleaners, and irons.

The word Shemmakh translated from the Arabic means, incidentally, tall, proud—those originally from the Hadramaut region, located since ancient times at the intersection of the caravan routes. So that, despite all the dissimilarity of their characters, the commercial streak in the brothers Abu Bakr, Mahfuz, Ahmad, and Ma'ruf is in their blood. All four have been to the Soviet Union repeatedly and know pretty well not only the conditions of the Soviet market and the structure of our foreign economic relations but our procedures also.

"I believe," one of the brothers begins with a certain cautiousness, "that many of our Soviet colleagues are placing such big hopes in assistance from the West in vain. Believe me, Western firms will not take a step without deriving some benefits; many of them simply aspire to grab a chunk, and not always honestly.

"It is my profound belief that you yourselves can cope with the difficulties without special intellectual, technical, and other outside assistance, provided, of course, that business people and engineering personnel are given the opportunity to go about their business and society is spared ideological shackles. After all, true freedom is essentially the opportunity, guaranteed by society, for each individual to engage in his own specific business."

And the Shemmakh's themselves work very hard. For example, to the question of what his hobby is the indefatigable Mahfuz replied "work." Truly, starting his working day at 7:30 in the morning, he finishes at 10 or 11 at night. The premises where the millionaires work—you could not call it an office the way we understand the word—are ascetically simple. Behind a thin wall in front of modern computers sit smiling people, not, however, distracted from their work. All the office equipment is first-class, but there is nothing, not a single paper-clip, which is superfluous. Having noticed, during our visit to the office, our somewhat surprised expression, one of the brothers threw out in passing: "We cannot understand why your bosses so much like to finish their offices with wood—plastic is cheaper and more practical—wood is a precious commodity, do you not begrudge such money?" The Shemmakhs know, for that matter, that one does not begrudge government money, which does not seem like one's own, but which is in fact that of one's children and family and of all other people. This is what is called alienation of property.

The Shemmakhs hold dear the traditional ties to their Soviet trading partners. Many of our goods, they believe, although inferior in terms of external appearance to Western merchandise, are well-made and simple: this is precisely what the Yemeni consumer, who is psychologically unprepared for quite intricate West European or Japanese home appliances, needs. But how irritating are the disruptions of the supply deadlines, the lack of spares, the unjustifiably lengthy negotiations, and the failure to observe commercial ethics. And what considerations and factors could explain the Soviet side's invariable rejection of the Shemmakhs' request to open an office in Moscow for the purpose of expanding trade?

True, not all is that hopeless. The plan to create in Yemen a joint shop for the assembly of refrigerators, components for which would be supplied by the "ZIL" plant, is now beginning, it would seem, to acquire practical outlines (although the negotiations have been under way a long time). The advantageousness of this version for us is obvious. True, spokesmen for the plant are complaining about the lack of production capacity. But even here the nimble Shemmakh is offering to help our side purchase the equipment and expand production on the financial level. As a result the returns, what is more the rapid returns, would be very considerable.

How many hopes the Shemmakh had that the restructuring processes in the Soviet Union would boost the development of trade and economic relations. In practice, however, the force of inertia is killing off deals profitable to and needed by our state. There are as many such instances as you can count, alas. Or here is an example of how our domestic difficulties and the exacerbation of relations between the republics and the center are having a baneful effect on our positions on the overseas market: The Lithuanian Litimpeks furniture production firm began to operate splendidly in Yemen two years ago, having concluded a profitable contract not without the assistance of our commercial office in Sanaa.

But recently the firm decided to operate fully independently; the result, alas, has been inauspicious, new orders have not been received and experience is lacking as yet, and the laws of the market are cruel. It is annoying.

And it is quite absurd when representatives of one and the same organization rush into competitive struggle against one another: branches of Vostokintorg in Aden and Sanaa have begun to compete with one another. Observing this clash with curiosity, representatives of local firms have jacked up prices. As a result Soviet consumers are the losers, but the representatives of our firm are not suffering because of this—their salaries are fixed.

The head office of the Salim Muhammad Shemmakh firm in Al-Hudaydah, which the brothers love devotedly and where they spend much time, is outwardly unprepossessing and extremely modest. And there all at once stands out on the city embankment—not by its pomposity but by its good quality and taste—a four-story building. Composed of pistachio-green and white stone, it is reminiscent of four cubes of equal proportions coupled together. This is the Shemmakh nest. They are always pleased to see a visitor from the Soviet Union here.

Spanish-Soviet Cultural Fund Inaugurated in Madrid

*91P50226A Moscow PRAVDA in Russian 18 Jun 91
Second Edition p 5*

[Article by V. Volkov, PRAVDA's own correspondent in Madrid: "The A.S. Pushkin Fund"]

[Text] The Aleksandr Pushkin Fund has been officially established in Madrid.

In accordance with the by-laws the Fund will promote cultural exchange between the USSR and Spain and research and study in Spain of Russian culture and national cultures and languages of the peoples of the Soviet Union.

'Erosion' of Soviet-East European Relations Viewed

91UF0868A Moscow MEZHDUNARODNAYA ZHIZN in Russian No 5, May 91 pp 49-57

[Article by M.I. Senkevich, chief of Third European Department of USSR Ministry of Foreign Affairs: "East European Prospects"]

[Text] The political portrait of Eastern Europe has been changing rapidly for the last year and a half. A whole historical period in our relations with the states of the region is coming to an end: Yesterday's myths and realities are crumbling, and new hopes and worries are emerging. There is an acute need for an objective appraisal of current developments in the search for the best ways of emerging from countless impasses and crises.

It is completely obvious that what lies at the basis of these changes is the East European countries' radical revision of their earlier foreign policy, foreign economic, and military doctrines and a reordering of their priorities in favor of the development of relations with the West in all areas, combined with dissociation from the USSR. This is frequently accompanied by artificially incited nationalistic, anti-Soviet attitudes.

There has been a decline in the interest of these countries in foreign policy coordination with the USSR and a simultaneous expansion of the practice of seeking alliances with the West, primarily with the United States and Germany. There has been an intensive process of convergence with international and West European monetary, economic, and military-political structures. The intensifying process of the release of East European countries from their CEMA and Warsaw Pact commitments has been accompanied by the creation of subregional politico-economic groups (the Central European group, made up of Hungary, Poland, and the CSFR, the Pentagonal, and others), which are expected to neutralize the consequences of the progressive curtailment of contacts with the USSR and to unite their efforts to "break through to Europe."

It would be an oversimplification, however, to portray this region as a cohesive bloc. In spite of the similarity of the processes occurring in these countries, the processes are naturally asynchronous and the countries are still experiencing some historical and national-territorial conflicts.

In the near future the Soviet Union might have to live next door to a zone of diminished stability. There is the real danger of increasing mutual alienation and even tension in bilateral relations, and the East European countries' territorial claims on the USSR would be one of the main reasons. The reduction of the USSR's actual capabilities would accelerate the erosion of the entire infrastructure of political, economic, cultural, humanitarian, and other connections to the countries of the region. Sporadic dialogue on the state and parliamentary

levels will create the misconception that the USSR has lost interest in the countries of the region.

The problems will be compounded by our own internal economic difficulties, which will lead to the reduction of mutual traditional shipments and will weaken our position in the domestic markets of these countries. The volume of trade will decrease dramatically, Soviet specialists will leave, and channels for the spiritual communication of our people and for scientific, technical, cultural, tourist, and other exchanges will be blocked. The situation in all of these spheres will be complicated even more by the transition to settlements in hard currency.

The combination of these factors will create the impression of the USSR's "departure" from the region and of its reordering of its own foreign policy priorities to the detriment of cooperation with its former CEMA and Warsaw Pact partners, will feed anti-Soviet attitudes, and will introduce elements of tension into our interrelations.

The situation in the region has reached the point at which the countries of Eastern Europe demand more attention from every standpoint. There is an urgent need to elaborate our new strategy in relations with Eastern Europe as part of the overall concept of USSR national security, a strategy carefully planned in all aspects (military-political, economic, and humanitarian) from the standpoint of the long-term state interests of the USSR.

The main goal of USSR policy in the region should be the consistent development of good-neighbor relations, partnership, and cooperation, including the preservation of priority political ties, the retention and reinforcement of the USSR's strong economic position, and the organization of effective interaction on the bilateral and multilateral extra-bloc basis in international affairs. We need a consistent and balanced policy toward East European countries to preserve the dynamics of cooperation and coordinate its direction and content with general European criteria. We need a pragmatic policy of a balance of interests, revealing the advantages of cooperation with the USSR to the East European countries and thereby encouraging them to pursue their own policy line with maximum consideration for our needs.

It will be in our interest to secure the maintenance and development of existing national economic ties and trade with the East European countries so that they can protect their economies from depression and stagnation, support our internal measures for the stabilization of our own economy, and retain the existing market for our industry, investments, and other economic activity.

Although we will give these countries special treatment as our neighbors, we must simultaneously defend our own position firmly and not allow them to impose a guilt complex on us for past events or interfere in our internal affairs. We must also oppose the creation of exclusive subregional groups, excluding our participation in any

form, and the attempts of some political forces to undermine our relations with the West and confine the European political, economic, and legal territory to the western borders of the USSR.

While we are securing and establishing good-neighbor relations of partnership with the East European countries, we would be justified in vigorously promoting the CSCE process and consistently turning this region into a zone of stable interaction and cooperation.

The situation in the region has reached the point at which the East European countries demand more attention from every standpoint, the continuation of active political dialogue on all levels, and the retention of strong trade-economic, cultural, humanitarian, and other ties.

The realities and prospects of East European politics are complex, varied, and difficult to predict. They will depend on the development of these countries' relations with West European countries and the Soviet Union, the socioeconomic and political processes in these countries, and the East European states' relations with each other. It would be difficult to evaluate the significance of each of these factors separately and collectively, but we can already say which of these factors will play an important role.

The rise to power of new political forces in the East European countries, the transition to a market economy, and the limited ability of the Soviet Union to provide these countries with manufactured goods and raw materials, as well as with credits, led objectively to their reassessment of their foreign policy and a reorientation toward the West. This was reinforced by the widespread desire to return to the "traditional bosom of Europe" and the wish to raise the level of their own economies by means of inclusion in West European economic structures, to put an end to their excessive reliance on the Soviet Union, and to strengthen their own sovereignty.

In general, this process should be viewed as a phenomenon with primarily objective causes.

At this time we can say that the East European countries have a qualitatively new type of relationship with the West. This is reflected in their active participation in the IMF and IBRD, their efforts to join the Council of Europe as quickly as possible (Czechoslovakia and Hungary became full-fledged members of the council recently, and the rest are associate members) and then to join the EEC, and the arrangements for broader political and economic cooperation, as well as military cooperation, with the developed Western countries, especially the United States and the FRG. It appears that the new leaders of some East European countries, particularly Poland, Czechoslovakia, and Hungary, believe that the "road to Europe" runs primarily through Germany.

After deciding to dissolve the Warsaw Pact and stop cooperating within the CEMA framework, several East European countries chose to converge with the Western

European Union and NATO. Now Hungary, Czechoslovakia, Poland, and even Bulgaria are saying that they regard the North Atlantic alliance as a guarantor of European security and their own safety and are even discussing the expediency of joining it, making references to the unpredictability of the Soviet Union's domestic and foreign policy and the potential threat it poses. In general, the East European countries, particularly in the Warsaw-Prague-Budapest triangle, are displaying a clear desire to step up the "Europeanization" of their own foreign policy. Furthermore, the German factor is to be assigned increasing significance in this process.

It is also quite indicative that the East European countries have begun deviating perceptibly from their earlier support of the USSR's disarmament and other initiatives and from the coordination of their foreign policy moves in international affairs with us. This is being accompanied by broader coordinated action with the Western capitals, especially Washington and Bonn. In particular, during the final phase of the Vienna talks on the reduction of conventional arms, Hungary, Poland, and Czechoslovakia frequently took the side of the Western states. When the preparations were being made for the Paris summit, Poland and Hungary departed from the agreed line and supported France's proposal to sign the declaration of 34 instead of the joint declaration of 22 states. There has been a perceptible reduction in the East European foreign ministries' consultations with the USSR Ministry of Foreign Affairs.

In short, the East European countries are assigning priority to relations with the West in their foreign policy. The response to this tendency in the Western capitals has been ambivalent. Although they support it as a whole, they have been extremely restrained in their concrete moves and commitments. Despite persistent requests, for example, the Western states have not extended large new credits to the East European countries and have refused to make any large investments or to write off the debts of these countries. The EEC leadership always stresses that membership in the community must be conditional upon a total transition to a market economy and the introduction of a convertible currency, which could take a fairly long time. Groups in NATO have also taken a restrained view of the declared willingness of some East European countries to join Western military and political alliances because they realize that this could cause serious difficulties in relations with the Soviet Union. Besides this, the socioeconomic instability in Eastern Europe and the mounting friction between some countries in the region on ethnic grounds could put NATO members in an extremely difficult position because they would have to take sides and become involved in settling possible conflicts.

Significant changes can also be seen in the East European countries' relations with each other. The transition to the market is completely disrupting trade and economic cooperation, reducing the volume of trade, and severing existing economic ties at a time when new ties are still in

the formative stage. Old inter-ethnic conflicts are rising to the surface, especially between Hungary and Romania and between Yugoslavia and its neighbors, and centrifugal forces have grown stronger in some countries (the CSFR and Yugoslavia). Therefore, the possibility of the serious exacerbation of relations between certain countries in the region, reaching the point of armed confrontations, cannot be excluded.

This is being accompanied by a search for new forms of bilateral and multilateral cooperation. A new subregional structure—the Central European group (Hungary-Poland-Czechoslovakia)—is taking shape. Leaders of the three countries signed a declaration defining the goals of the trilateral cooperation on 15 February this year at a meeting in Visegrad (Republic of Hungary). They are “the complete restoration of governmental independence, democracy, and freedom; the elimination of societal, economic, and spiritual manifestations of the totalitarian system; the construction of parliamentary democracy and a modern rule-of-law state and the observance of human rights and the basic freedoms; the creation of a market economy; complete integration in the European political, economic, and legal systems.”

Although this subregional group is still in the initial stage of its development, its members are already striving for the close coordination of their views and actions with regard to an entire group of economic and international issues, primarily in their relationship with the Soviet Union (the common response to the events in the Baltic republics, the preparations for a possible flow of migrants from the USSR in connection with the passage of the emigration law, the attitude toward the Warsaw Pact and CEMA, the approach to the crisis in the Persian Gulf, the coordination of views and actions in international organizations and at international forums, etc.).

Czechoslovakia, Hungary, and Yugoslavia have been more active in the Danube-Adriatic association (the Pentagonal). The first meeting of the heads of state and foreign ministers of Austria, Hungary, Italy, Czechoslovakia, and Yugoslavia was held in Venice on 31 July-1 August 1990. Representatives from Bulgaria and Romania and from the Council of Europe, the Common Market Secretariat, the European Investment Bank, the World Bank, and the European Bank for Reconstruction and Development and the executive secretary of the UN Economic Commission for Europe had observer status at the meeting.

The goals of the “five,” as they were defined in the political declaration adopted at the Venice meeting, are “the promotion of stronger security and stability for the transition from the old order to a new order in Europe, the further reinforcement of democracy, and economic recovery and development.” The declaration also says that “the move from ideological competition to work on joint programs in the economic sphere and other spheres of public life will be the most effective way of avoiding the temptation to return to the past.” It stresses the importance of parliamentary contacts. Bulgaria,

Romania, and Yugoslavia will participate more extensively in Balkan cooperation, and there has been more activity in the Baltic region, where Poland hopes to play a special role.

This subregional activity is due, first of all, to the common desire of these countries to distance themselves from the Soviet Union and rid themselves of their Warsaw Pact commitments and, second, to their intention to take concerted action to make a place for themselves in the European Community and other Western structures and, it goes without saying, to defend their own interests through political interaction in relations with the Soviet Union and with Germany.

In spite of all of the changes in the foreign policy of the East European states, including signs of nationalism and anti-Sovietism, the new leaders have to consider the Soviet Union's potential, its important role in international affairs, and the political, economic, cultural, and other ties they established with the USSR as neighbors. All of this objectively influences the policy of these countries and promotes the maintenance and development of good-neighbor relations with our country.

These countries will probably undergo two phases in their foreign policy line. At first they will make an effort to “return to Europe.” Later, however, they will have to admit that they will be unable to secure their own consistent development and overcome the status of “peripheral states” in Europe without extensive cooperation with the USSR.

Integration processes within the “Europe-92” framework, and Germany's growing role in European affairs in particular, will have an increasing effect on the East European countries. There is no question that the policies of these states will also be influenced greatly by the all-Europe process.

Problems connected with nationality, which have been exacerbated in virtually all of the East European countries in recent years by the rapid development of the processes of national revival, are certain to complicate the stabilization of Eastern Europe. In general, all of the festering sores of inter-ethnic strife stemming from past events and from the overlapping settlement patterns of the main nationalities and ethnic groups as a result of the “double repartition” following the two world wars have risen to the surface again.

Mounting chauvinism and national separatism are having the most negative effect on multinational states. As a result, some of them, such as Yugoslavia, for example, are virtually on the verge of severe ordeals. There is the danger that separatism and nationalism will not only cause turmoil in the domestic political affairs of this country, but could also provoke attempts to change existing borders within Yugoslavia and between it and neighboring countries.

There are many indications that ethnic problems could be one of the main issues in domestic political affairs in

Czechoslovakia in the next few years. It is indicative that the struggle against "Prague-centrism" is being fought here not only by Slovakia, but also by other regions where most of the inhabitants are Hungarians (600,000) and Ukrainians (100,000). Taking a clearly chauvinistic stance, they see the solution to the ethnic problem in central Europe exclusively in the voluntaristic "restructuring" of state borders.

Acute conflicts arising from ethnic differences are common even in countries where the demographic situation is distinguished by the prevalence of one large nationality. The emotions that were stirred up over the status of the ethnic Turks, for example, destabilized internal political affairs in Bulgaria, which had once been considered fairly fortunate in this respect. It is clear that if the explosive potential that has accumulated here in the Muslim community is not defused, the country can expect new outbursts of unrest, including demonstrations for the creation of a "Turkish autonomous territory" or the federal restructuring of Bulgaria along the lines of Cyprus.

The escalation of tension in various seats of ethnic strife is quickly reflected in the intergovernmental relations of the countries of this region. This connection can be seen most clearly in the foreign policy of Hungary, which based its international policy line on "representation of the interests of all Hungarians, including those living abroad." It has made attempts to internationalize its conflict with Bucharest over the Hungarians in Transylvania by involving the superpowers, or even the whole world community, in it.

The number of advocates of "radical solutions" to old territorial disputes, who assert that the present situation is conducive to the "correction of historical injustices," is rising perceptibly in the ruling circles of some East European countries. In addition to this, statements by several East European politicians have indicated that they are prepared to make direct claims on their neighbors' territory at the next convenient opportunity.

The galvanization of the "problem" of Bessarabia and Bukovina is a direct result of this in Romania. Transylvania is being discussed more and more openly in Budapest. Radical nationalist forces in Poland are openly declaring their right to Vilnius, Brest, Grodno, Lvov, etc. In Czechoslovakia there is strong nostalgia for the Transcarpathian zone. These developments could become much more dangerous if they begin to influence the policies of these countries or win government support.

It is unlikely that the intensity of inter-ethnic conflicts in Eastern Europe will diminish in the near future. It will take a long time to fill the vacuum that was created by the collapse of the earlier power structures, which curbed the escalation of inter-ethnic friction and gave the states of the region at least the semblance of an international community, and by the departure of the Soviet Union

from the region. The continued deterioration of socioeconomic conditions in the region will serve as a permanent basis for more and more new clashes, including inter-ethnic conflicts. Besides this, the opposition in these countries, which took charge or is trying to take charge with the aid of nationalistic slogans, introduced a strong dose of ethnic intolerance into the development of these countries.

The composition of "nationalist-minded" forces in the East European countries is extremely heterogeneous. They include individuals with unequivocally anti-Soviet views, who regard the USSR as the source of all troubles and believe that only a complete break with the Soviet Union can guarantee the independence of their own countries. The nationalists also include a small but influential group of pragmatists, who realize that the sovereignty of the small countries in Eastern Europe can only be secured with strong support on both flanks—western and eastern.

The main threat posed by the spread of aggressive forms of nationalism and of conflicts arising from national or ethnic differences is their ability to erode and undermine the present national-territorial structure of the East European countries. Because of the specific nature of the borders in the region, the fall of even one would lead unavoidably, in line with the domino principle, to the fall of the rest, with all of the ensuing consequences for adjacent states.

Western political groups have taken this fact into consideration and have taken some steps to prevent the unnecessary excesses that could hurt the process of the liberalization of the East European countries or jeopardize the Western states' own interests. The United States and its main NATO allies do not, however, want the situation in Eastern Europe to be completely normalized, because they believe that an atmosphere of constantly smoldering resentment would serve their interests best. In other words, they would like to control the situation here, keeping it from becoming inflamed or being extinguished.

Favorable prerequisites for this are being created by the perceptible reduction of political activity by the Soviet Union in this region and the "reassurance" local nationalists are receiving today from the Soviet republics "fighting for their independence from Moscow" and the political forces viewing "Eastern Europe's journey to freedom as an example and a standard." Its success will most probably also be fostered by the time factor, because the stability of the situation in Eastern Europe will depend largely on the fundamental improvement of internal conditions in the Soviet Union.

The intensity of the growing problem of minorities would probably be diminished if the CSCE process were to be set in motion in its entirety. In this context, the USSR's proposal at the Copenhagen conference (in June 1990) of a CSCE conference on ethnic minorities (subsequently formulated as a Soviet-Swiss proposal) was

extremely timely and addressed the hopes and concerns of most of the CSCE states. These matters probably could be discussed not only at the special conference in July (1991), but also at the third and final meeting of the conference on the human dimension of CSCE in Moscow.

The socioeconomic situation in the East European countries is still strained and could be aggravated in the future. The programs of transition to a market economy, which were drawn up with the direct assistance of IMF and IBRD experts, still have not helped in surmounting the economic crisis, regardless of the stage of their implementation, or in establishing important prerequisites for the start of the stabilization period. The lower rate of inflation, the relatively balanced budget, and the alleviation of shortages in Poland, and to some extent in Hungary and the CSFR as well, as a result of strict austerity during the initial stage of the reforms have had no effect on the overall tendency toward a perceptible slump in economic activity. The decline of the gross national product in all of the East European countries as a whole has reached 10-30 percent. Volumes of industrial production are still decreasing. According to IBRD estimates, in 1995 they will be equivalent to no more than 70-80 percent of the 1988 figures. In small-scale production there has been a steady tendency toward the curtailment of production in favor of trade and commercial mediating operations. The revival of peripheral spheres frequently does not compensate for the degradation of the basic branches of the national economy.

Problems in supplying the national economy with energy, fuel, raw materials, and semimanufactured goods have been exacerbated to the maximum in virtually all of the countries. They still have not been able to restore their almost completely severed cooperative ties and establish the appropriate administrative structures for a market.

The consumer market in Hungary, Poland, the CSFR, and Yugoslavia is filled mainly by imposing limits on the purchasing power of the population. Excessive demand is also covered by imports purchased with new Western credits, which exacerbates the problem of debts owed in foreign currency and leads to the sale of national property to foreign capital. The total foreign debts of the East European countries are now estimated at 80-85 billion dollars. In 1991 they will need 14 billion dollars to service their foreign debts, and the West intends to offer them only half of this sum in new credits.

The "shock" methods the leaders of the East European countries used to solve these problems at the expense of the mass consumer and without any simultaneous restoration of the economic foundation caused a severe crisis in the social sphere. Unemployment has displayed uncontrollable growth because the governments have no effective programs for the creation of a labor market and the maintenance of a specific level of employment. In the next few years the number of unemployed individuals in some countries of the region could be equivalent to 20 percent of the able-bodied population.

In absolute figures, for example, the army of unemployed in Poland is likely to exceed 2 million in 1991, with corresponding figures of 1.3 million for Yugoslavia, 800,000 for Romania, 80,000 for Hungary, 75,000 for Czechoslovakia, and 70,000 for Bulgaria. The stratification of the society on the basis of income levels is becoming more pronounced. The level of consumption has declined dramatically, and the standard of living has declined by 25-30 percent almost everywhere. More than a third of the population here lives below the poverty line.

The social consequences of the change in economic models are turning into one of the main obstacles impeding reform. The market theories of the IMF and IBRD, tested in developing states with private property traditions, give little consideration to the fact that the "pressure ceiling in the social sphere is much lower" in the former socialist countries because of the "distinctive features of public thinking" there.

During the tumultuous events in these countries, the population supported the idea of free enterprise in the abstract hope of imminent prosperity. These people were raised to believe in the earlier ideas about social protection, however, and they were not willing to give up the guaranteed "social minimum." Privatization is viewed by most citizens, who do not have much money, as the "division of property" among individuals with dubious sources of income. The emerging stratum of entrepreneurs, who are incapable of securing the quick enhancement of national well-being or of taking credit for any visible improvements in public life, cannot win public acceptance. Negative feelings are also being stirred up by the increasing infiltration of these countries by foreign capital.

There is considerable dissatisfaction in the East European countries as a result of the obvious deterioration of living conditions. Public faith in the new governments has essentially reached the breaking point. This could lead to new outbursts of social unrest.

The institution of economic reforms has been complicated by the mounting nationalism in the region. The protracted socioeconomic crisis has provoked more extremist behavior on the part of various ethnic groups. The general instability in the East European region will probably preclude the substantial cuts in defense spending that were supposed to alleviate the pressure on state budgets.

It is clear that the emergence from the chronic socioeconomic crisis will be a painful process, and perhaps even a dramatic one, for some countries in the region, especially Bulgaria and Romania. Large Western economic injections could do much to cure Eastern Europe's ills. Experts have calculated that this would require Western aid in the amount of 270-370 billion dollars. The aid promised to date, however, represents only one-tenth of the required amount.

The East Europeans' expectations of a larger flow of capital in the future are also debatable. In the first place,

the political and business communities in the West regard the East European countries as a "high-risk zone," and with good reason. In the second place, the absence of real prospects for rapid emergence from the crisis here means that foreign investors will concentrate their capital in production areas with a quick turnover. The East European states hope to rectify the situation by means of affiliation with the EEC and WEU, interaction with NATO, membership in various subregional groups, and requests for economic support from Germany.

Now that the West has realized that Eastern Europe is not strong enough to carry this burden and is turning into a dependent, it appears to be reconsidering its claims to monopoly presence in this region and no longer objects to turning it into a sphere of common interests with the USSR. Another factor "working" in favor of this is the collapse of the East European countries' illusory hopes of the quick redirection of their foreign economic ties from the East to the West and the attainment of reassuring advantages from this. **People in the region are beginning to realize that the attachment of the East European economies exclusively to the West is certain to make them more vulnerable to periodic fluctuations in foreign markets and turn them into an object of Western policy and a target of the redistribution of spheres of influence.**

One of the objective factors keeping this region in the forefront of our international cooperation is its vital interest in shipments of energy resources from the USSR (covering 70-80 percent of its demand for oil and 95-100 percent of its demand for gas), as well as some types of raw materials. In addition to this, there is the fairly durable fabric of economic, scientific, technical, and other interaction of many years' standing.

In turn, the East European subregion is a large and extremely promising market for Soviet capital. It is a region with a highly educated population, adequately trained manpower, a fairly well-developed infrastructure, many potentially competitive production units, and colossal unsatisfied consumer demand.

The consistent pursuit of a policy line of genuine equality and partnership and the strict observance of the commitments assumed by us and by our partners in Eastern Europe could allow these countries to establish stable economic ties in the region more quickly in spite of possible difficulties in their internal political development.

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Joint Declaration on Hungarian-Ukrainian Relations

91UF0877A Kiev PRAVDA UKRAINY in Russian
4 Jun 91 p 3

[Declaration of Fundamentals of Relations Between Ukrainian Soviet Socialist Republic and Republic of

Hungary, signed in Budapest on 31 May 1991 by Chairman L. Kravchuk of the Ukrainian SSR Supreme Soviet and President A. Goncz of the Republic of Hungary]

[Text] The Ukrainian Soviet Socialist Republic and the Republic of Hungary,

Wishing to make every effort to strengthen friendship, good-neighbor relations, and mutually beneficial cooperation serving their national interests,

Assigning fundamental importance to the development of democracy and freedom and the establishment of a modern rule-of-law state, free of totalitarianism,

Reaffirming their commitment to the goals and principles of the United Nations Charter and the provisions of the Helsinki Final Act and subsequent documents of the Conference on Security and Cooperation in Europe,

Convinced of the need to build a new Europe united by common values,

Acknowledging the primacy of international law in relations between states,

And attaching great importance to the development and reinforcement of the laws and treaties serving as the basis of their interrelations,

Have agreed on the following:

1. The parties will develop and reinforce friendly and neighborly relations and mutually beneficial cooperation in the political, economic, trade, scientific-technical, ecological, cultural, and other spheres on the basis of the principles of sovereign equality, the inviolability of borders, territorial integrity, the mutual renunciation of the use of force or threats of force, the peaceful settlement of disputes, non-interference in one another's internal affairs, respect for human rights and the basic liberties, the equality and right of nationalities to decide their own future, and the conscientious performance of duties arising from commonly acknowledged principles and standards of international law.

2. The parties will promote the development of cooperation between the parliaments and governing and administrative bodies of the two states.

3. The parties will take measures for the development and reinforcement of mutually beneficial economic, trade, and scientific-technical cooperation. To this end, they will develop and reinforce cooperation in industry, transportation, communications, agriculture, the use of natural resources, power engineering, and other branches of the economy and assist in the training of national personnel.

The parties will promote the development of bilateral economic relations, striving to integrate them with processes in the world economy and their mechanisms with practices and standards in the world market. They will

also promote the development of bilateral economic ties on all levels, including local and border contacts. The parties intend to develop various forms of cooperation between their legal and physical persons.

The parties will promote broader trade relations based on the principles of equality and mutual benefit and will secure favorable economic, financial, and legal conditions for commercial enterprise and other economic activity and will not take measures discriminating against the other party in their reciprocal economic contacts.

4. The parties intend to promote the development of cooperation in transportation, particularly air, rail, maritime, river, and motor travel services.

5. The parties attach great importance to the guarantee of ecological security on the continent and intend to develop multifaceted cooperation in the sphere of ecology and environmental protection, including, in particular, measures to prevent environmental pollution that could injure the other party.

The parties intend to seek methods and means of possible cooperation in minimizing the after-effects of the accident at the Chernobyl nuclear power plant.

6. The parties will promote the development of cooperation in science, the law, culture, the arts, literature, education, public health, the press, radio, television, film, tourism, sports, and other spheres.

The parties will promote cooperation between artistic unions, cultural and scientific establishments, and citizens of the two states.

7. The parties will consult one another and exchange opinions within the framework of the United Nations and other international organizations, including opinions on the development of cooperation with European organizations and institutes.

The parties will consistently support the development of the CSCE process and the creation of unified economic, legal, ecological, and other European territories in all dimensions of human endeavor. Within the framework of this process, the parties will assign great importance to subregional cooperation meeting the interests of the countries taking part in it.

8. The parties will promote stronger confidence in Europe and support the processes of the reduction of military confrontation and arms reduction.

9. The parties have expressed their intention to base diplomatic, consular, and trade relations on agreements in accordance with their own international commitments and commonly acknowledged principles and standards of international law and with a view to reality and necessity.

In accordance with all of this, they will create the necessary conditions for the quickest possible commencement of operations by the Hungarian consular establishment in the Ukrainian Soviet Socialist Republic (in Uzhgorod) and the Ukrainian consular representation in the Republic of Hungary.

10. The parties will establish a legal basis for their bilateral relations and will conclude separate agreements in the near future on cooperation in the spheres covered by this declaration.

11. The parties intend to hold regular consultations on matters of mutual interest.

12. The parties announce that the provisions of this declaration will constitute the basis for the treaty to be concluded soon by the Ukrainian Soviet Socialist Republic and the Republic of Hungary.

Concluded in Budapest on 31 May 1991 in two copies, each in Ukrainian and Hungarian, with both texts equally authentic.

Polish Ambassador to USSR Interviewed

91UF0867A Moscow NEZAVISIMAYA GAZETA
in Russian 20 Apr 91 p 4

[Interview with Republic of Poland Ambassador to the USSR Stanislav Chosek NEZAVISIMAYA GAZETA by Correspondent Yuriy Leonov: "Calling a Spade a Spade": NEZAVISIMAYA GAZETA Correspondent Yuriy Leonov Discusses Relevant Bilateral Relations Problems with Republic of Poland Ambassador to the USSR Stanislav Chosek"]

[Text]

[Leonov] Mr. Ambassador, what is the most difficult part of your job?

[Chosek] The most difficult part is to explain and prove many times that two times two is four. I often have to explain that Poland and the USSR are close neighbors and therefore they inevitably have common interests that are the basis of bilateral good-neighbor relations. The time of dogmatic slogans on "the indissoluble friendship" have passed. Poland has changed. I am experiencing satisfaction since I myself participated in the reformation of Polish society. The Soviet Union is also changing. That is why the time has come to create a new type of relations not on an ideological basis but on the principle of mutual respect and consideration of the interests of both countries.

[Leonov] However today we are witnesses to an appreciable decline in relations between Poland and the USSR.

[Chosek] There are several reasons for this. The old mechanism of ideological relations is fading into the past and the new one is not so easy to create. So, for example, trade turnover between our countries has been reduced

due to the introduction of reciprocal payments in freely convertible hard currency. Many Soviet enterprises that have traditional partners in Poland have been forced to cancel these ties since they do not have hard currency. Today we have to recognize that the adoption of the trade system was inadequately thought through.

[Leonov] Who was its initiator?

[Chosek] The Polish side advanced the idea to shift to hard currency payments first. However, we advocated the determination of a transition period because neither Soviet nor Polish enterprises were ready for this system of commodities exchange. During the transition period, we proposed actively using clearing and barter deals. I think that we nevertheless need to introduce needed adjustments for a definite time to avoid negative consequences.

[Leonov] Does it not seem to you that political reasons but already with a reverse sign still dominate in Polish-Soviet relations?

[Chosek] We remember that the positive changes in international relations of the second half of the 1980's and the initiation of perestroika in the USSR promoted the implementation of Polish reforms along an evolutionary path. The ideas of perestroika and democratization were dear and understood by Polish society which supported their successful implementation. However, there are tragic moments in our history that must be cleared up once and for all. Each people has its pride. Perhaps the Poles have a particularly keen sense of pride. There is a person who was a victim of Stalinism in nearly every Polish family. Relatives often did not even know where the graves of their dear ones were located. In recent years, quite a bit has been done to resolve the problems of "blank spots." In order to guarantee good future bilateral relations, we need to call a spade a spade.

[Leonov] The presence of Soviet military units on Polish territory also does not promote the development of Polish-Soviet relations on a new basis. I have often had the opportunity to see the inscription in Warsaw's passageways "Tanks—to the Volga!"

[Chosek] Under the current situation, while considering the cessation of the force of the Warsaw Treaty, there are no grounds for the presence of Soviet troops on Polish territory. Fundamental agreement has been achieved on the withdrawal of Soviet troops and time periods and technical details are being coordinated.

[Leonov] The opinion exists that Poland's position may prolong the time periods of the Soviet troop withdrawal from German territory. Is that so?

[Chosek] I understand that it is a question of Soviet troops transiting through Polish territory. I think that we could avoid a multitude of lack of coordination problems if the voice of the owner of the territory across which this transit must occur was taken into account during the coordination of this issue between the USSR

and Germany. Furthermore, we interpret the transit issues and the Soviet troop withdrawals from Poland as a single political-organizational measure and naturally would like to view them in total. As for payments for transit, each automobile owner in Poland pays a road maintenance tax. It is not a question of earning money on the transit but about reimbursement for expenses for preparing lines of communication for the transit of an enormous number of people and equipment and to maintain them in the appropriate operating condition. In my opinion, this is clear. However, these are all technical problems which can be effectively resolved at the negotiating table if there is good will and mutual trust.

[Leonov] Do you believe in the prospects for development of Polish-Soviet relations?

I certainly do. And my optimism is precisely based on, first of all, the historical and geopolitical factors that bring us together, second, the development of reforms in both of our countries have quite a bit in common and, third, we have common interests. So, for example, both Poland and the USSR are striving to enter the common European home, but in our countries like in the other countries of Eastern Europe, there is not yet an economic base for rapid integration into the European community. I specifically have in mind the lack of new progressive technologies. It would be easier for us to solve these problems if we combined our efforts.

[Leonov] What do you have in mind?

[Chosek] Economic cooperation on new principles. For example, tell me where the Dictaphone was manufactured that you are recording our conversation on?

[Leonov] In Taiwan.

[Chosek] See what I mean. It would be good if the countries of Eastern and Western Europe manufactured this equipment: some assemblies—Polish, some assemblies—Soviet, something, let us assume, from Hungary, but all of this along with equipment and technology of the developed countries of Europe and not only Europe. The creation of a common European home is impossible without the participation of the Eastern European countries and the USSR. The presence in the region of countries with a substantially different level of economic development does not promote stability and security. But it would also be naive to assume that the rich countries will totally take on the problem of eliminating disproportions in development. However, construction of the unity of our continent and the search for access paths for all participations in the all-European process is the duty of all Europeans.

[Leonov] How would Poland like to see the Soviet Union?

[Chosek] Naturally, it is not an ambassador's business to give advice to the country in which he is staying. The Soviet people themselves will select their own path. I can

say that we want to see a stable USSR, on the one hand, and a democratic state on the other hand. I would like to believe that this is how it will be.

[Leonov] Otherwise....

[Chosek] Otherwise we will not only have to forget the Common European home but a world-scale threat will also arise. However, I am certain that this will not occur. I am an optimist.

Walesa Interviewed on Relations With USSR

91UF0865A Moscow NOVOYE VREMYA in Russian
No 21, May 91 pp 21-21

[Interview with Lech Walesa, president of the Republic of Poland, by correspondent Rudolf Boretskiy, in Warsaw on 14 May: "We Are Condemned To Have One Another..."]

[Text] Warsaw—The meeting was scheduled to take place in the presidential palace—the Belweder. The new schedule of the president's contacts with the press—democratic, free of "palace conventionalities" and disposed toward improvisation—at the same time contained a certain risk. Instead of the customary face-to-face interviews, something akin to a news conference, the only difference being that the "right to speak" is accorded the journalists in turn, but all are present together: those scheduled for the given day and hour.

On this occasion it was 0900, Tuesday, 14 May. Lech Walesa, president of the Republic of Poland, and his press secretary Andrzej Drzycymski received a group of Japanese journalists of the leading economic publication NIHON KEIZAI SHIMBUN and correspondents of THE WASHINGTON POST and NOVOYE VREMYA. Our foreign colleagues, as is customary, with secretaries, interpreters, and photographers. For all together, 1 hour, 20 minutes per title. It was here that the purely professional risk was concealed—the fear of one not fitting within the scheduled plan, not having time to put some question seeming to be of the most importance. And, perhaps, dropping out of the play altogether. The order determined by the president's press service was as follows: the Japanese would begin, I would continue, and the Americans would conclude the proceedings.

Accompanied by his press secretary, Lech Walesa swept into the room. He apologized on the go for being 10 minutes late (breakfast with Premier Bielecki and Deputy Premier Balcerowicz had been protracted) and gestured us to the table. And, before he had pulled up his chair even, said to the Japanese: "At your service."

The president was clearly interested in talking with them. Lech's feelings toward this country have long been known here, in Poland. About 10 years ago, at the invitation of Japanese trade unions, he paid a visit there for the first time with a group of his Solidarity associates. And brought with him the romantically naive slogan: "Let us make Poland a second Japan!" He now chuckles

into his moustache at this.... But the secret dream evidently remains. He answered the Japanese journalists' businesslike questions ardently and with extensive monologues. He developed and varied one topic which was exceptionally close to him, evidently. He insisted: We need no loans, we are not asking for money! Poland needs your participation in the transformation of the country and our entire economy. Your experience is needed. On any terms: If you wish, purchase our enterprises; if you wish, build new ones or overhaul, modernize, and alter the profile of old ones or create joint ones with us.... We want to draw (this is what he said: to draw, pull) into Poland as many Japanese, French, Germans as possible.... Each Japanese is like a Polish division! He will work and create and protect his property in Poland....

The discussion had clearly dragged on—it had gone on long beyond the scheduled 20 minutes. THE WASHINGTON POST correspondent began to get agitated and, having whispered to him, sent his interpreter to Drzycymski. This is what I heard: My colleague from the United States fears that he will not have sufficient time and therefore asks that he be "let in" after the Japanese. In response, the press secretary's firm "no" and a nod in my direction. And there remained of the time allotted us just a quarter of an hour.

Finally, the "Japanese topic" was over. I was invited to move into a seat next to the president. On the way over I went over the plan of questions which I had arranged. But, as it turned out, in vain: The conversation between the president of the Republic of Poland and the NOVOYE VREMYA correspondent lasted not a minute less than half an hour. The Americans had time for two questions—concerning Poland's debt and the role of the church.

I will begin with the key question:

NOVOYE VREMYA: Our journal was the first in the USSR to publish an interview with you, still chairman of Solidarity at that time. And, it seems, the first to carry a feature about you—right after your victory at the presidential elections last December. I understand the fundamental difference between the leader of a trade union movement and the first citizen of a state. I also understand the evolution of your views on relations between our countries. In the language of diplomacy and politicians there is a multitude of definitions of such relations—partner, good-neighbor, friendly and so forth. Were a treaty between Poland and the Soviet Union to be signed today, what word would you deem the most accurate?

Lech Walesa: The overall experience of what we have gone through requires much of us. I have said repeatedly that we are condemned to have one another. Neither Poland nor the Soviet Union can, after all, be transferred to America. Therefore, let us try to build our relations in such a way that our lives improve. Both you and we are reforming our lives. We cannot in these processes

hamper one another or leave room for enmity. And let the specialists find the details and the wording.

NV: There have in our common history been many distressing, painful and even tragic events, too many, perhaps. Ascertainment of the whole truth here is absolutely essential, of course. But do you not think that the hypnosis of the past is preventing us from seeing the present and anticipating the future—simply impeding the progress of normal life?

L.W.: I agree. I agree entirely. The future cannot be built from the past, although we need to learn lessons from the past. It is for us the living to move forward and to keep those who have departed in our memory and to honor them.

NV: Poland and the majority of Poles are, let's face it, oriented predominantly toward the West. But in reality Poland has always been more connected with the East. And considerable numbers of realistic politicians—Roman Dmowski and Stanislaw Grabski, for instance, and I would put Cardinal Wyszynski in this category even—took account of this circumstance in their activity. What principles of your Eastern policy would you cite as being the most important?

L.W.: There is a certain logic of behavior in the new situation. Certain normalities. Any released prisoner rejoices primarily in his newly acquired freedom. Let out the stallion from the stable after a long winter—he prances and gets wound up! He could break a leg at times also, damn it! Release a dog from its leash—how it takes off! But they then have had enough of romping about, and cold sets in, and they return home, to their enclosure. People are the same. Each must drink his mouthful of freedom. They cannot be restrained here. In the urge to freedom it could come to the point of blows even. And then, having calmed down somewhat, we begin to understand that we cannot get by without one another. That a good neighbor is a treasure. That good relations are profitable.

We are all—both Hungary and Czechoslovakia also—now flying toward the West. It seemed to us that everyone would immediately be rushing to assist us and would give us everything. It has proved otherwise. The levels of development are too diverse. Even if we greatly wanted to, we could not “jump” into the West. We need to come round and return to ourselves. And return to one another because we are closer. But with the notion of movement toward world civilization. And in this general direction our cooperation should be more rational. First, because we are not wanted “over there,” second, because our own mechanisms, made for and adapted to one another, are easier for us. Beginning with the most ordinary enterprise. On a qualitatively different level, of course—in an atmosphere of democracy, pluralism, and freedom. Given a continuation of the former conditions of someone's domination, total disintegration would be inevitable, and we would achieve nothing worthwhile.

NV: It is common knowledge that our economic relations are not in the best of shape, to put it mildly. Yet there was talk in a Sejm commission of Polish obligations to the IMF and, allegedly, of a 50-percent reduction in your exports to countries of the former Eastern bloc. I have not, I confess, found any explanations in this connection anywhere. What can you, Mr. President, say about this?

L.W.: You see, the whole philosophy of our former relations consisted of us clinging to the unity of our economic systems at any price. It was not that important who was working well, who, badly: the good enterprises pulled along the laggards and, at the very least, everyone somehow held on. Now, when each country and each enterprise has switched to its own accounting, having acquired independence, everything, it transpires, is extremely complicated. We have been endeavoring to rid ourselves of unprofitable works, but they are bound up with the good ones. Complete collapse!

I have reiterated many times and will repeat it once again: the success of both our reforms will be in direct proportion to outside cooperation. Not outside assistance but, specifically, cooperation. When the West does not wish to have dealings with us either and we are not working in harmony between ourselves, it is ultimately everyone who loses....

It is a question of how to build this cooperation. I am convinced that it can only be done via the speediest privatization. However difficult and painful for people this may be (the president had observed in conversation with the Japanese: “Mrs. Thatcher privatized just 10 percent of state-owned enterprises and suffered the attacks of the opposition for many years after, but I want to privatize 95 percent!”—R.B.). We need to ensure that everyone be responsible for himself and his own business. Work in order to earn, not take the state for a ride. The main thing is that conditions be dictated by the market, not policy. There is no ill will, of course, on our part in the economic relations with the Soviet Union which have taken shape. It is simply that our revolutions caught us unawares. Many ties have now fallen through. Some irretrievably. But we understand, after all, that the Soviet Union is a vast market! We need to trade, only sensibly. It is this which I should like to bring with me on a visit.

NV: But what, for all that, about Poland's obligations to the IMF?

(I did not get a direct answer to this question. The president repeated once again that in the “current mess” the West would not take Polish goods, while trade relations with the East, with us primarily, needed to be built up from scratch—R.B.)

NV: And now, if you will permit me, I would like to touch on several problems connected with domestic policy matters. The unity of the Solidarity of the 1980's was based to a considerable extent, it seems to me, on the

"equal stomachs" slogan. It is now with all due inevitability being supplanted by another—"equal opportunities," equal starts. Do you not consider that it is this reorientation of the mass mentality which is the stumbling block and main problem—not only for Polish society, of course, for this is a universal problem of the emergence from "real socialism?"

L.W.: A difficult question... There was a war on, and we ate out of the pot, and it tasted good. You cannot put a pot on the table now. What was good then is inappropriate now. In the war against the regime we were united by the slogan of struggle for renewal. When we had won this renewal, each of us once again went to work, only differently: some in a cassock, some in a white tuxedo, I, as an electrician, with my tools in a bag. Some people are even now pining for this unity. I have already said to the Japanese journalists that were I now to resurrect this same unity at my dear shipyard in Gdansk and were then to go to the workers and say that it had to be closed because it was not paying for itself, they would "close" the Belweder (Walesa had said to the Japanese: "burn"—R.B.).

Unity was needed to crush the system, but, preserving it today would not help us get rid of useless enterprises because each outfit would stand on guard of its own interests. The former solidarity would result in ruin and it would, like the ninth wave, sweep away all our undertakings. I shall give you, perhaps, a crude comparison. A boat can take just 10 persons, but on the bank there are 100. Were all these "equals" to jump into the boat together, not one would be saved. The same in industry also. Some have to leave, the rest are obliged to get across to the other bank. We are not now faced with a common enemy—the regime. The search for new solutions has become the problem. It is paradoxical: the worse an outfit works, the more united it is in the defense of its demands. And try telling it: You are not bringing in the state any income. They will respond: The Belweder does not bring in any income either! I am forced to consent to a split...

NV: I know that you have always been a supporter of political pluralism. You have said repeatedly that a politician should support himself on "both legs." What is your attitude toward the left movement generally and contemporary Polish leftishness?

L.W.: If it exists, I cannot pretend that it does not. The president is required to think about how best to incorporate it generally in useful work for Poland (Walesa has recently been insistently emphasizing that he is above parties, calling himself the "president of all Poles"—R.B.). It is necessary to create conditions to ensure that the forces of the left may work, not fight. And I am moving in this direction.

NV: The personality of Lech Walesa is well known in our country. You, Mr. President, are very popular with us, but the ideas concerning you are of an anthology nature

rather, it seems to me. What do you like, what gives you pleasure outside of your strenuous work?

L.W.: I like everything I do not have, what is now inaccessible to me. Today, of course, in this weather I would go fishing and in the evening I would do some courting (laughs). I am not yet 50, after all! But there's no going fishing—I have work up to my neck—and there's no getting away in the evening—there is security all around. They are looking after their careers also. So the result is that all that I like is not for me. Consequently, I have to like what I have and do. And do it well and wait until I am driven out. And it is not known yet for what I will be turned out: for something good or something bad. For something good, most likely.

NV: On behalf of our readers and the journal's editorial office I thank you, Mr. President, for the interview and await your visit to Moscow.

Iliescu Interviewed on Tenure as President

91UF0865B Moscow TRUD in Russian 6 Jun 91 p 5

[Interview with Romanian President Ion Iliescu by Sergey Belenkov; place and date not given: "Romania: Year of Iliescu"]

[Text] It is a year since Ion Iliescu, who was sworn in on 20 June 1990, was elected president of the Republic of Romania. We publish in abridged form his interview given in this connection to Sergey Belenkov, special correspondent of the journal VIP. The full text of the interview will be published in the next issue of VIP—a new international publication, which is published in Moscow and contains material "about leaders and for leaders."

[Belenkov] Your biography is quite dramatic and contains many abrupt turns. To what extent are they the result of the development of your personality, and to what, a reaction to what has happened in Romania?

[Iliescu] My fate is the fate of my generation. Both the war years and the postwar period, full of dramatic transformations, have been part of its lot. I have had an opportunity to get to know various aspects of life because I have since my youth been connected with political activity. Our family revered the traditions of the struggle for human rights and the working man: My father was a railroad worker.

After the 20th CPSU Congress we all sensed that something new was happening both in our lives and in our views; a critical approach to theoretical postulates was emerging. Unfortunately, both in the Soviet Union and in other countries this process was arrested. What occurred in Romania after 1964, when Ceausescu came to power, and particularly after 1968 (the intervention in Czechoslovakia), I considered a manifestation of reactionary trends in the communist movement and in socialism. This had tragic consequences for the life of our countries and for sociopolitical development in Europe and the world.

[Belenkov] Was what happened to the country in the mid-1960's inevitable or was there an alternative? Do you consider the Ceausescu phenomenon purely Romanian?

[Iliescu] On the one hand, it may be said that this was a common process in the East European countries. Had the "Gorbachev generation" been in office in the 1950's and 1960's in both the Soviet Union and other countries, I believe that development would have been different. After all, it is ultimately this generation which has transformed all countries in recent years! But, unfortunately, the gerontocracy of the 1960's led to a "reverse" revolution...

[Belenkov] You had a chance to observe Ceausescu for a very lengthy period of time. Did you foresee his future evolution in the direction of dictatorship when you first made his acquaintance? Or was this not perceived at that time?

[Iliescu] Not right away... In the first years he behaved more or less modestly since he was of modest intellectual capacity. But after he had become head of the country, he began to develop in a bad direction. And I sensed immediately that our evolution would be extremely negative.

[Belenkov] When the December 1989 events began, did you believe in the inevitability of victory or did you have your doubts as to who would prevail?

[Iliescu] I felt two years ago that something had to happen. A general process of change had begun in all the countries surrounding Romania. And Romanian society had entered into a profound economic, social, and moral crisis; such internal tension had built up that it had inevitably to have led to transformations. But it was understandable also that the process which had been occurring in other countries, where the factors of the transformations had emerged from within the system, was impossible in Romania. Ceausescu made very severe use of the mechanism of repression. The sole remaining way out was a social explosion. Which is what happened.

[Belenkov] Entirely new people with no experience of work within the system have come to leadership in the East European countries neighboring Romania. Do you feel stronger or weaker than them in this respect? Your own previous political experience—is it more a help or a hindrance?

[Iliescu] A help. Although it is more a hindrance to some people. Those who remain slaves to the former inertial thinking, slaves to the system. I myself, however, had detached myself from it quite some time ago and was theoretically prepared for the transformations, so to speak.

At the same time, however, there is also, of course, psychological ballast, which is being employed by certain opposition forces. They are saying that I am a man of the official party roster and am linked with old ideas. But this does not greatly impress me: I have been criticized so much in my life....

On the whole, however, I believe that such political experience is essential. In the former totalitarian countries only those who have lived within the system can effectively implement the necessary transformations. Those who come from outside, without the requisite experience, could have a hard time conceiving of realistic solutions of the complex problems with which society is confronted.

[Belenkov] In May 1990, you won a triumphant victory at the presidential elections. Which of your hopes since that time have been justified, and which, not? What has been unexpected? If you go back now to those tumultuous days, what adjustments would you make to your program?

[Iliescu] That period is characterized by both political clashes and political changes and transformations. Clashes in the process of transition from the former system (totalitarian regime, leadership of the party, lack of democratic practice) to the new reality connected with pluralism and the emergence of new political parties were particularly frequent in the first days, what is more.... There are even too many political parties: it said that we have approximately 200 parties, which exist legally, although not all represent some kind of force, of course.

Political institutions which afford new opportunities for consolidation for the democratic forces and the creation of a state based on the rule of law and structures characteristic of the parliamentary system were formed in the country after the elections. This applies to both freedom of expression and freedom of association.

The most complex tasks for us are in the sphere of the economy. We are still in a phase of industrial recession and a cutback in the resources on which social policy is based. Therefore, whereas initially political clashes were what was most typical, social problems are the distinguishing feature of the present phase. The Soviet Union and all countries which are taking this route are encountering approximately the same difficulties. And these difficulties will most likely continue for several years to come.

From the first days following the December 1989 events we have been saying that we are following a path of fundamental transformations, which will be attended by great difficulties, particularly in people's lives. But we have to take this path and surmount the difficulties. And in the course of our election campaign we promised no one: follow us because after the elections all will be resolved, and life will go smoothly. True, even we ourselves were unaware of the scale of these difficulties... But someone had to assume responsibility. And if we are able to create the fundamental foundations for future development, then others, perhaps those who come after us, will, continuing what has been started, operate more successfully than us.

Impact of Ideological Differences on Sino-Soviet Ties Viewed

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No 21, May 91 pp 22-23

[Article by Yevgeniy Bazhanov, doctor of historical sciences: "Five Principles Minus Ideology; Mutual Relations Have Been Normalized, But How Should They Be Structured in the Future?"]

[Text] Two years ago, when M. Gorbachev visited Beijing, people in the West expressed the fear that the two largest powers in the East might form a new alliance. Recently, when General Secretary Jiang Zemin of the CCP Central Committee made his return visit to Moscow, Western journalists asked him about this possibility. The Chinese guest's reply was comprehensive: The sides had agreed that there could be no return to the alliance and that no repetitions of the recent confrontation could be allowed either. Relations must be based on the five principles of peaceful coexistence.

The Chinese leader's visit set the pattern for the development and intensification of contacts between the USSR and PRC in the last 2 years. This was the chief result of the trip. It was an indisputable success, but Soviet-Chinese relations have not been completely peaceful.

Who Is Preferable?

Ideological differences are the main problem. After the events in Tiananmen Square in June 1989, Beijing took more vigorous steps to strengthen the Communist Party's leading role in the affairs of state and to eliminate all signs of "bourgeois liberalism," including the slogans about unlimited freedom, pluralism, and the separation of powers. In the Soviet Union the situation followed a diametrically opposed pattern. The Chinese observed the progress of their northern neighbor with increasing amazement. In private conversations officials from the PRC asked their Soviet colleagues why they were giving up power voluntarily: "No party in human history has ever done this! Furthermore, the CPSU is handing over the reins of government to inveterate troublemakers!" Differences of opinion became so pronounced that some Chinese were unable to understand why these events were occurring in the Soviet Union. After one of my Chinese colleagues heard the anticommunist and sometimes pro-fascist tirades of the bards on the Arbat, he asked with amazement: "Are they really the officials of the CPSU Democratic Platform?"

The negative reactions to our glasnost and pluralism were compounded by Beijing's fear that the risky experiments might cross the Great Wall of China. The perturbation in Eastern Europe aroused worries. From a distance, it might have seemed that Moscow probably had a hand in dismantling the earlier order in Budapest or Prague. After the fall of the Honecker and Ceausescu regimes, some individuals in the Chinese capital began agitating for the resumption of ideological battles against

the new generation of revisionists, but common sense prevailed. The top leaders of the PRC reminded their "fighters" what the "cold war" with the USSR had cost the Chinese people. Another round of knightly jousts with the windmills of revisionism would cost China even more. Beijing stated its precise position: The agreement of 1989 would remain in force; each country would have the unconditional right to go its own way. In private the Chinese added: "Even if you should slip into capitalism, we must live in peace and will stay friendly."

By summer 1990 the neutrality in the Chinese approach to our affairs had grown into an intention to help the center, headed by M. Gorbachev. The metamorphosis was partly due to simple empathy. Besides this, the Chinese leadership was motivated by pragmatism. This was the line of reasoning in Beijing: First of all, if socialism (in its traditional form) should die in the USSR, the Sword of Damocles would also loom over Chinese socialism. This meant taking the side of Gorbachev and the CPSU. Even if they had dropped the ball, their program was still much more socialistic than the programs of the new emerging social forces. Second, the collapse of the Soviet Union would cause inevitable chaos in China. After all, Kazakhs, Uighurs, Uzbeks, and others live on both sides of the border in Central Asia.... What was the solution? The best option was to support the center and the president of the USSR in their efforts to avert disaster.

The Soviet "Corner"

Therefore, ideological, geopolitical, and other such considerations motivated Beijing to sustain and develop a normal relationship with Moscow and support Gorbachev and his party without giving in to emotions of any kind. We repeat: Jiang Zemin's visit corroborated this. In general, the 1989 pattern of USSR-PRC relations has not been challenged from the Chinese "corner." The situation in the Soviet "corner" is a different matter. The center's behavior has been irreproachable. It has been extremely flexible, tactful, and ingenious in its dialogue with China, but as for the "leftwingers" and "rightwingers".... The former (the "radical reformers") do not want to "forgive" Beijing for Tiananmen, advise the limitation of contacts with it, have meetings with the opposition, and criticize the PRC leaders in the press. This kind of behavior—refusing to "do as the Romans do..."—is certain to displease everyone.

People cannot measure the affairs of others with their own yardstick. The PRC authorities sincerely believe that if they were to make concessions to the "rebels," the country would plunge into the abyss of chaos and turmoil. Beijing's actions are based on the knowledge that the cultural level of the population is still quite low: There are still more than 800 million peasants, over 200 million illiterate Chinese, and 100 million people living below the poverty line. China is a boundless sea of outrageous biases, unrealized ambitions, and submerged resentment. There are family, group, and regional biases.

China has already been the victim, at the time of the notorious "Cultural Revolution," of unrestrained instincts.

This point of view is shared unequivocally by people who are absolutely opposed to communism but who have a profound knowledge of China and think in Chinese terms. For example, the architect of the capitalist miracle in Singapore, the former premier of that country, Lee Kuan Yew (who is himself a Chinese by birth), has said that "there are no traditions of democratic restraint in China. The local tradition is that the winner takes all. If the demonstrators had won that day in Tiananmen Square, I am not certain that the country would experience a glorious period of democracy. Anarchy would be more likely." Lee Kuan Yew criticizes the Chinese leaders only for the methods they used to restore order. In their place, he would have "begun by removing all of the foreign journalists and then would have turned off the water and electricity and deprived the demonstrators of food. Itching powder could have been used to spread an epidemic of cholera or dysentery."

Nevertheless, it would be wrong to assume that people in Beijing would not accept democratization on principle. They realized the need for political reforms back in the late 1970s. The preference of the Chinese leadership to carry them out "gradually, cautiously, according to plan, smoothly, and reliably" is a different matter. Time will tell whether they chose the right approach. For now, we can only remind the "leftwingers" in our own country that the police in South Korea beat boisterous students with clubs and poison them with toxic gases every day.

Now we should say a few words about the "Chinese strategy" of the "rightwingers" (the "conservatives"). Just recently, when they were in power, they raged at China. Now the Soviet "conservatives" are moved by tender emotions at the very mention of the PRC. The situation in "the land under the skies" makes them feel nostalgic for the good old days, when no one blocked their "Chaykas" as they sped down the highway to their luxurious state dachas. Now that the partocrats have been surrounded and are being pressured from all sides, they see Beijing as something just short of their only ally. The "conservatives" apparently do not see the huge gap between them and the Chinese leaders. The latter are reformers in their views and actions. They were the ones who realized, long before Gorbachev's perestroika, that it was impossible to continue living in the old way. It was the leaders of the PRC who gave land to peasant families, privatized much of the economy, put an end to wage-leveling, allowed part of the labor force to get rich before the rest, and flung open the doors to foreign capital. They were the ones who began the loud and public discussions of profits, competition, commercial exchanges, stocks, and other things that still make the Soviet "rightwingers" shudder. Yes, the priority of public ownership and the plan is declared in China, but market forces are nevertheless granted the most extensive freedom there. Yes, Beijing raised the banner of

struggle against "bourgeois liberalization," but it has not departed a single iota from close interaction with Western businessmen. The Soviet "custodians of the old order," on the other hand, are bending over backwards to immediately stifle all of the president's attempts to use foreign, particularly Chinese, experience in economic reform. The "conservatives" in the USSR and the Chinese "conservatives" actually speak different languages.

I once heard a conversation in which a man tried to please a guest from socialist China by vowing that Moscow would not allow private traders to control any more than 5 or 10 percent of our trade. The Chinese guest nodded his head, but when he left he exclaimed: "How could anyone set these kinds of limits? This would perpetuate the crippling of productive forces, protect monopolies, and provoke inflation."

It never occurs to "rightwingers" that ideological differences are not the only reason that their union with Beijing has been severely complicated. It is probably more important that this kind of union simply does not enter into the plans of the Chinese leadership. For more than a decade the PRC has been pursuing a policy of cooperation with everyone, regardless of the partner's philosophical outlook. This is the underlying strategy of the plans to modernize China and turn it into a prosperous, powerful, and authoritative state. After the dramatic events of June 1989, the fly-wheel of PRC interaction with the West began rotating more slowly, but the Chinese were certainly not responsible for this. Beijing has made a maximum effort to breathe new life into its contacts with the United States and its friends. Incidentally, one of the reasons for Jiang Zemin's trip to Moscow was the hope of forcing the Western powers to treat China with more respect and to be more tractable. The "conservatives" would probably deny this, arguing that the PRC criticizes world imperialism harshly and even rebukes the Kremlin for indulging it. This is true, but what lies behind this criticism is the worry that feelings of omnipotence and absolute indulgence might turn the Americans' heads, especially after the "easy war" in the Persian Gulf. China's goal in the past and the present has always been the maintenance of a balance of power in world affairs. We should recall how Beijing behaved in the 1970s, when the Vietnam disaster made America weak, and the Kremlin launched unprecedented military organizational development and acquired a taste for expansionist ventures abroad. China began to caution the United States to remain vigilant and strong! By the same token, Beijing is understandably upset when the two superpowers are on good terms. This is why it warns them against excessive flirtation and encourages both giants to pay more attention to China.

Do We Need an Alliance?

What if the Soviet "rightwingers" were able, in some incredible way, to restore the ideological alliance with China? Would this serve the state interests of the USSR? History has already taught us some lessons on this score. First (as events transpired in the 1950s), Moscow would

have arguments with the West and frighten Asian nations almost to death, from India to South Korea. Then there would be no hope of technology and credits from abroad, disarmament, or the resolution of other global problems. Then perestroika would come to a halt. After all of the Kremlin's present domestic and foreign policy strategies had collapsed (as they did in the 1960s and 1970s), we would also have a quarrel with the PRC. After all, the two giants of the East have too many conflicting interests and needs to synchronize their actions completely in the manner required by an alliance. Imagine, God forbid, that Chinese-Indian relations might be aggravated once again and that the Soviet leaders would take a neutral stance again. This apostasy would certainly arouse the indignation of a Chinese ally, but a Chinese partner would understand and not complain.

It appears that Moscow and Beijing are now keeping Soviet-Chinese interaction within the optimal bounds. Only ideological passions and plots could disrupt the favorable course of events, and this means that we must keep our relationship free of them.

Chinese Trade Union Official Interviewed on USSR Visit

91UF0818A Moscow TRUD in Russian 28 May 91 p 3

[Interview with Yang Xinfu, deputy chairman of the All-China Trade Union Federation, by correspondent R. Puchkov; place and date not given: "The Waters of Our Rivers Flow Together..."]

[Text] A Chinese trade union delegation concluded its visit to our country yesterday. Having come at the invitation of the General Confederation of Trade Unions of the USSR, the guests visited Moscow and Leningrad, met with leaders of Soviet trade unions and union activists and visited industrial outfits. Prior to leaving for home the head of the delegation, Yang Xinfu, deputy chairman of the All-China Trade Union Federation, answered questions put by TRUD correspondent R. Puchkov.

[Puchkov] How are the Chinese unions operating under the conditions of the economic reform?

[Yang Xinfu] The All-China Trade Union Federation is contributing actively to the implementation of the economic reform. At this stage the main purpose of the economic transformations is that of imparting more dynamism to medium-sized and large enterprises. The key aspect here is ensuring that the creative capabilities of workers of physical and mental labor develop in every possible way and that their personal involvement be as great as possible here.

It is in this direction that collective agreements, which did not exist in the country prior to the reform, are now being drawn up. The unions sign these agreements on behalf of the working people, and in respect of them management undertakes, following the workers' and

employees' achievement of particular economic indicators, to increase wages by a certain percentage, resolve the most diverse problems in the social sphere (improve labor protection, increase the number of places in kindergartens and creches, organize health-home treatment), and so forth.

More significant personal involvement of the workers and employees in the results of their labor is thus achieved. After all, the agreement does not remain merely on paper and is necessarily put into practice. The working people are now contributing more actively to the development of their enterprise inasmuch as they themselves can determine in advance by how much their wages will rise when the enterprises achieve this indicator or the other.

[Puchkov] What do you consider the key condition for the further development of the economy?

[Yang Xinfu] Stability in politics—this is an important condition of economic development enabling the working class to concentrate its efforts on the building of socialism and the development of production. Our country is inhabited by 1.1 billion persons, and were we to permit chaos, not only could we not develop, we simply could not feed ourselves....

[Puchkov] A private sector in industry has been developing in China of late. What tasks do the unions set themselves at enterprises belonging to private Chinese and foreign capital?

[Yang Xinfu] They are, naturally, somewhat different from those which are set at state and cooperative enterprises, where in defending the working people's interests we continually bear in mind the fact that they are the proprietors also and should be displaying concern for the development of production together with management.

At the private enterprises, defense of the working people's interests is the main function of the unions. It is exercised in three main directions: working conditions, pay, and work time. The unions are paying particular attention to the legal training of the working people inasmuch as in working at a private enterprise it is very important to know precisely one's rights and duties. Understandably, the unions are not relieved of concern for vocational training, the solution of social problems and so forth either.

I would like to mention that private enterprises in the country constitute just three percent of the total. But under our conditions this means millions of people—either employed at them directly or connected with them in one way or another.

[Puchkov] How are the Chinese unions' international ties developing?

[Yang Xinfu] Following the well-known events in Tiananmen Square in May 1989, the unions of certain Western countries broke off relations with us. They attempted to put pressure on us. But we wish to decide

our own affairs ourselves, without outside interference. And we do not impose our opinion on anyone else.

Today the Western unions are once again establishing contacts with us. Our relations with the unions of the developing and socialist states remain good. And we maintain ties to the unions of more than 130 countries.

[Puchkov] What do you think about the prospects of Soviet-Chinese relations and the development of bilateral cooperation, in the union sphere included?

[Yang Xinfu] The traditional friendly relations between our peoples are rooted in the distant past. We are divided by a border which stretches for thousands of kilometers, but, as they say in China, our mountains stand next to one another, and the waters of our rivers flow together. I believe that a further strengthening of friendship is in the interests of our peoples.

It is in this context that the development of our trade union ties, which have been strengthening continuously since 1985, should be seen also. There has already been, as you know, an exchange of visits at the highest trade union level, and our trip was further confirmation of this.

Subsequently we will pay particular attention to the development of bilateral economic ties. After all, our economies are mutually complementary. You are interested in products of our manufacturing and light industry, and we would like to obtain from your country raw material and industrial products. Our unions will contribute to this economic cooperation, at the local level, in the border areas, for example, included, as much as possible.

I would like to take advantage of this opportunity to convey via your newspaper greetings to Soviet working people and trade unions from the Chinese working people and unions and also to thank all who received us for their hospitality and warm meetings and to wish your country political stability, economic progress, and an increase in the people's well-being.

Sakhalin Official Fedorov Urges Free Economic Zone for Kurils

91UF0876A Moscow ZA RUBEZHOM in Russian
No 15, 5-11 Apr 91 p 8

[Article by Valentin P. Fedorov, professor, chairman of Sakhalin Oblispolkom, and people's deputy of the RSFSR: "I Suggest a Fourth Option"]

[Text] ZA RUBEZHOM regularly prints articles presenting different views on a territorial issue which, according to Japan, is impeding the conclusion of a peace treaty and the development of comprehensive relations between the USSR and Japan. Professor V.P. Fedorov, chairman of the Sakhalin Oblispolkom and people's

deputy of the RSFSR, recently asked the editors to publish his article on this topic. We are submitting it for the reader's consideration.

We must admit that the policy of issuing territorial claims is outdated and unconstructive in our day. References to history cannot serve as convincing arguments because this approach makes the ownership of a particular territory dependent on chronology, and changes in national sovereignty are explained in different, sometimes opposite, ways by the sides concerned.

It is in this context that we should examine the issue of the "northern territories" in Sakhalin Oblast—i.e., the islands of Shikotan, Kunashir, Iturup, and Habomai (a group of islands), with a total area of 4,996 square kilometers (according to Japanese data).

The Japanese side insists that the resolution of the problem of the "northern territories" will be an essential preliminary condition for the establishment of friendly relations between our countries on the basis of genuine mutual understanding.

The Japanese side has recently commented with some pleasure on the more receptive Soviet approach. As evidence of this, whereas the Soviet Union once refused to acknowledge the existence of a territorial problem, it has changed its mind in recent years and has not refused to discuss the matter.

Finding Today's Answers to Today's Questions

The creation of this impression was fostered by the proposals of some Soviet representatives regarding a "third option," consisting essentially in the joint use of the southern Kuril Islands. We should explain that the first option is to maintain the status quo, and the second is to turn the islands over to Japan. There is probably no doubt that the authors of the third option are guided by good intentions and a sincere desire to end the deadlock. They might anticipate a substantial economic impact from cooperation with Japan, which would take on much broader dimensions in this case.

The third option is unacceptable, however. Because of our weakness, we would not survive an economic war on our own territory, and this means that the third option represents only a postponement of the second option. This would be an economic Tsushima. Furthermore, the sale of Alaska should have taught us a great deal. It did not make us richer and did not improve relations between the two countries forever. There may be some who are beguiled by Japan's great economic potential and are prepared to sacrifice Soviet territory for the sake of some crumbs from the baronial table, but they should realize that a change in methods of economic management, namely a transition from the authoritarian system to a market system, would give the Soviet Union incomparably greater potential. It is true that the Soviet Union would be wrong to give up the advantages of the possible expansion of ties with Japan, but something else is also

true: It would be just as wrong for Japan to give up the advantages of the possible expansion of ties with the Soviet Union.

Yes, we know that in the joint declaration the USSR and Japan signed on 19 October 1956 our country agreed to turn the Habomai Islands and Shikotan over to Japan, but this was to be done after the USSR and Japan had concluded a peace treaty. The later discovery of the incompatible foreign policy aims of the two countries compelled the Soviet Government to deviate from this point, and it announced this in the clearest possible terms. Anyone who wants to discuss an issue as controversial as a territorial dispute should know about all of this and should not simply make use of "convenient" documents or of quotations taken out of the overall historical context. Life does not stand still. It is constantly creating new realities. Political wisdom consists in finding today's answers to today's questions instead of trying to destroy new realities by returning to the past. This produces nothing but difficulties.

A Drop of Fresh Water in a Salt-Water Sea of Problems

Let us strive for impartiality and assume that the weakened Soviet Union could get billions of dollars for the islands. This would be a drop of fresh water in the salt-water sea of our problems. Our inefficient system would devour this money, and in a few years we would have neither the billions nor the islands. The solution is obvious: We must change our system of economic management and then make our own billions. The southern Kuril Islands with their adjacent waters are so rich in natural resources that the change of their owner would be followed by a radical change in relative national economic potential, and this change would not be in our favor. The islands would increase Japan's strength, while the Soviet Union would have no way of ever compensating for this tremendous loss and would be left with a strategically undermined and crippled eastern flank.

The assertions that territorial concessions on our part will motivate Japan, with its inherent industriousness, to take on the development of Siberia and the Far East deserve as much faith as any other legend. Private capital has never been inclined to do anything for the benefit of others (we should recall the old saying that you can lead a horse to water, but you cannot make him drink). Consequently, it is more likely to be a matter of foreign government credits, which do have many good points, but there is also one drawback: They have to be returned, and with interest. This would mean new debts, and we are already up to our ears in debt. How would being in debt to Japan be better than being in debt to any other country? What can Japan offer us besides the goods and services in the world market? In spite of the unresolved territorial question, Japanese capital has shown some interest in business transactions with the Soviet side and has even fought foreign rivals for a place in the sun in the fields in which it could operate profitably. Some examples are the plans for off-shore oil and gas drilling on the

rich Sakhalin shelf. There has been some competition between Japanese cities interested in cooperating with Sakhalin's populated communities.

Explanations of the third option include another negative point. By questioning the status of the southern Kurils as Soviet territory, we are sowing seeds which could turn into a serious problem for future generations. We must be fully aware of something else as well. If the solution to our problem should be unsatisfactory to us, bilateral relations will be clouded by Soviet dissatisfaction. Then you and I will have nothing but regrets. After the lessons we learned from Alaska and other incidents, this cannot be permitted.

The southern Kuril Islands are Soviet territory and will remain Soviet territory. We have no problem with this. It is a problem for the other side, and if we agree to take its concerns into account and seek a mutually acceptable solution, our neighbors should appreciate this.

I must say that the surveys of the inhabitants of Sakhalin and the Kurils to learn their views on the future of the southern Kuril Islands are completely unnecessary. Surveys are conducted when something is not clear. There is nothing that is not clear about the southern Kuril Islands. For this reason, we should not undermine our own position and give our partners the impression that we are suffering from confusion or uncertainty. What if they should ask us for south Sakhalin tomorrow and then demand all of Sakhalin, all of the Kuril Islands, or parts of Siberia? Will we conduct public opinion polls there?

In this context, we should remember that when the term "northern territories" is used by certain groups in Japan, it is not confined to the previously listed islands.

Some authors have observed with regret that the absence of a peace treaty between the USSR and Japan is impeding the development of bilateral ties. It is certainly regrettable that there is no peace treaty yet, but the same USSR-Japanese joint declaration contains a statement that should remove all of the obstacles to these ties: "The state of war between the Union of Soviet Socialist Republics and Japan will cease on the day this declaration goes into force, and the state of peace between them and the friendly relations of good neighbors will be restored."

Cooperation Instead of Partition

I advocate the kind of revision of the third option that would delete half of it. I suggest a fourth option. Let us take the previously listed islands, which will always belong to us, and nearby Japanese areas, to be chosen by mutual agreement (part of Hokkaido), and declare the combined territory a free economic zone and then develop it together. To avoid any misunderstanding, I repeat that the two territories will remain within the spheres of Soviet and Japanese state sovereignty respectively, but on the economic plane they will constitute a single entity and will be used by the two countries together. Of course, the zone should be open to third

countries, which could establish their own interests there in the form of joint ventures or private property.

The fourth option is not something absolutely essential to the Soviet side. It should be given generous financial compensation for its agreement to a compromise on an issue it is not obliged to consider at all. We must emerge from the defensive position we were forced into by the Japanese side. The fourth option appears to be an appropriate response to the demands that were issued with regard to the four islands.

This kind of interaction would also have far-reaching positive consequences in the demilitarization of the region. We should take a lesson from Europe, where colossal changes are taking place without the issuance of any kind of territorial claims.

We should also consider another side of the matter. According to the recent declaration of Russian sovereignty, any change in the borders of the RSFSR must be made in response to the results of a Russia-wide referendum. It is highly improbable that the people would approve of a territorial surrender by the victor, which we were in World War II, despite our present temporary difficulties. There would be no need for a referendum with the fourth option, in which case we would keep the islands.

Japan has become a strong industrial power, displaying much of what our country cannot achieve until after the turn of the century. Japan is also extremely vulnerable, however, and its well-being depends on export and import conditions. We can expect Japan to change its mind about economic cooperation with the Soviet Union, particularly the Far East, in the near future.

A Japanese proverb says that it is better to rely on a close neighbor than on a distant relative. The Japanese do not like the present stalemate, and they will crack under the pressure before we do. They are seriously worried that the southern Kurils might develop business contacts with foreign companies and they would like to prevent this. Our reply is understandable: In a market economy, we will encourage international competition and choose the most convenient partners. If Japanese firms do not want to join this competition, that is their problem.

We now have a historic chance to change our regime and change the basis of our society. In more specific terms, we should make the move to an internally competitive economy. We will do everything in Sakhalin Oblast by ourselves, and assistance from the world community, if any such assistance should be offered, must be viewed as an unexpected gift speeding up our advancement toward our chosen goal.

There is no point in getting upset over supposedly missed opportunities in connection with the non-existent large-scale cooperation with Japan. Instead, we should arm ourselves economically and establish a market economy in the Far East and on its Soviet islands, beginning with a semi-closed economy so that

we can compete on an equal basis with the Japanese economy, which, as foreign specialists and businessmen know, is still not open to some competitors and is far from completely open to the rest.

Our country is in a difficult position at this time, but this means nothing in the historical context. This temporary situation does not provide any grounds for giving up any part of our national territory. Whatever hopes, ideas, and intentions might lie at the basis of the earlier proposals, they are meaningless in comparison with our most important non-renewable resource—territory. Our people have not forsaken the revered precepts of patriotism to the fatherland and gratitude to past generations for their outstanding achievements in moving the borders of Russia eastward. Finally, we must not forget about national security, especially in a region which will dominate world politics and economics in the coming century.

We are not revolutionaries, we are reformers, and as such we must be tolerant of dissenting opinions. We are not demanding the prosecution of even those whose private thoughts and beliefs about the future of the southern Kurils are anti-governmental in nature, but we must never waver in taking resolute steps against those who make the fateful attempt to act on these beliefs. The southern Kuril island of Kunashir was separated from Japan by the strait of Treachery. We must see to it—and instruct our children and grandchildren accordingly—that this word always marks the gates of the territorial “foreign idolaters,” wherever we find them in our country, and they, in turn, must think of this word as a constant reminder of the inescapable punishment for the policy of criminal repartition. In Sakhalin Oblast we will establish an impenetrable seat of resistance.

Carthage must be destroyed—this is how the Roman orator ended each one of his speeches. We advocate construction instead of destruction, cooperation instead of partition, and we must defend this demand unswervingly, along with its basic premise: Sakhalin and all of the adjacent islands are an integral and permanent part of Russia.

Japan Air Lines Official on Planned USSR Visit

*91UF0834A Moscow IZVESTIYA in Russian 3 Jun 91
Union Edition p 5*

[Statement by Susumu Yamaji, vice president of Japan Air Lines, recorded by S. Agafonov, IZVESTIYA staff correspondent: “Air Cab Driver, Japanese Style”]

[Text] Tokyo—In early June, a representative delegation of the largest airline in Japan, JAL, will come to our country on a business visit; the delegation is headed by Susumu Yamaji, currently a vice president, and in the immediate future—this has already been determined—president of one of the most powerful corporations in the country.

As a rule, representatives of the Japanese business world, especially of this caliber, do not go on tourist trips. This is why, when I learned about the forthcoming business trip by Mr. Yamaji, I got the natural desire of a journalist to ask him about "future plans" in more detail. My interest was boosted to a considerable degree by the fact that recently "large-caliber" businessmen, all of their proclaimed interest in the Soviet market notwithstanding, have tried to bypass, or more precisely, fly around it. In this case, there will be a direct flight to Sheremetyevo and a quite intense program of meetings and talks, which are anything but idle. What is the reason? Before we respond to this question, however, let us familiarize ourselves more closely with the JAL corporation, one of the indisputable leaders in world civil aviation, with the help of Mr. Yamaji.

Yamaji-san said: Let me begin by noting one essential aspect which at times is forgotten even here, in Japan. This has to do with the fact that for many years, JAL, which was a joint-stock company, was considered a government corporation, because a formidable package of shares, on the order of one-third of all securities, belonged to the government. Therefore, I would like to stress that at present not a single share (of which JAL has issued 1.7 billion!) belongs to the government. JAL has undergone what is referred to in your country as privatization, has gotten rid of the petty tutelage of official establishments, and has acquired economic freedom. This has not adversely affected either the financial, or any other standing of the corporation: Profits of JAL continue to grow, and our annual turnover exceeds 1 trillion yen.

Now about the corporation itself. At present, JAL has 21,400 employees, out of which only 13,500 are involved with flights and planes directly (pilots, stewardesses, technicians, and mechanics). Others are "white collar" employees and managerial personnel. At first sight, there are too many "extra" people in the company, but actually this is the limit of necessary sufficiency because JAL is not a closed, narrowly specialized company but a real concern to which 213 companies with various lines of business belong; these companies embrace all spheres of business associated with air transportation. The emergence and existence of such a conglomerate, or as they call it here, "corporate family" is an economic rule, it is the logic of developing business operations. A "pure" air carrier will not survive in a sea of competition—he will either go bankrupt quite soon, or will be taken over by more successful rivals.

Apart from the aviation business, the JAL family has interests in the hotel business, transportation (buses for passengers), and delivery of luggage from the stairway of the plane to the client's door. It signs insurance contracts, promotes the development of tourism, engages in real estate operations and performs credit functions, "oversees" food service and preparation, and participates in advertising and publishing businesses.

This is not at all a whim of the JAL management, and not a manifestation of the desire to get control of everything; it is just that "the air business" in the modern world is not run any other way. The customers are spoiled by competition, and it is important for them not only to fly from one geographical point to another, but also do this with a maximum of convenience and get rid of troubles which unavoidably accompany travel.

Given all that has been said, it is easy to understand that the size of the pool of aircraft alone cannot guarantee the prosperity of the company and its prestige. Compared to many foreign companies, the potential of JAL may seem worse than mediocre—we operate merely 97 planes, out of which 66 "work" international routes, and 31, domestic routes. However, I will repeat yet again, that the number of planes is not the point; what is important is the efficiency of their use, the quality of service, and the set of services offered by the corporation to the passenger. For us, "welcome" in the ticket sales office is the main phrase rather than "fasten your seat belts" which is said on the planes.

By now, the notion of "the standard of service" with regard to air transportation has already evolved and become established. However, striving to be like everybody else means dooming yourself to losses. We may stay afloat and make money only by fantasizing, inventing, and implementing new forms of services. There is no limit to perfection in this sphere; nor is there a limit to problems which need to be resolved. For example, combating so-called "lost calls" is one of such problems for JAL at present. The situation is trivial: A client calls our office, but the phone is busy. He redials twice, at best three to four times, and then he turns to another company, and we lose his order. The task which we need to accomplish is a way to avoid this.

Following this "general" discourse, I will refer briefly to the forthcoming trip to Moscow. I believe that it is not a secret for anyone that, from the point of view of the airline business, until recently the territory of the USSR, with its colossal extent, was an airspace which had to be crossed in order to get from Japan to Europe rather than a space for business operations. Many flights, even a majority of flights went "straight through" the Soviet territory without landing, or with a short respite for transit in Moscow, leaving infrequent tourist groups. However, perestroika has changed the state of affairs. Realistic opportunities have appeared for developing stable streams of tourists precisely to the Soviet Union, Moscow and Leningrad first of all, rather than to Europe. This is a serious and profitable prospect which, however, requires thorough analysis and preparation.

In essence, such "local reconnaissance" is the main objective of the trip. Specifically, we would like to consider the opportunity for organizing a form of cooperation with the Soviet side, such as joint operations: A daily flight between Moscow and Tokyo by JAL, for which the tickets will be distributed in the following

proportion—either half and half between JAL and Aeroflot, or based on the two-thirds and one-third ratio. If the venture proceeds, and it appears a certainty that there will be no shortage of customers on the new route, a new task will arise—building a JAL hotel in the USSR. Since there will be a hotel, this means also buses to transport passengers, and subsequently a luggage delivery system and the entire chain which I mentioned in the beginning of this interview. Incidentally, at that time I omitted the issues of infrastructure from my enumeration—now is the time to recall them. If a regular route is established, it will become necessary to modernize airport facilities. In addition, there is marketing, services for selling tickets, and so on. You may imagine how wide-ranging my business meetings in Moscow are going to be, given that in your country different establishments are in charge of all these aspects.

In summation, one more point. It appears to me that the currently very fashionable issue of inconvertibility of the ruble is raised too emotionally at times. This is what state organs and the government should handle. It is hard to recognize this as the only criterion for business. At any rate, nobody has yet abolished and called into question the old principle “high risk-high profit...”

At this point Susumu Yamaji said good-bye, giving me as a souvenir a detailed statistical abstract on all aspects of JAL operations, in which the potential of the Soviet air transportation market is mentioned among promising avenues. By all signs, Yamaji-san was preparing for his trip to Moscow in earnest...

Thai Foreign Minister Views Prospects for Relations With USSR

91UF0847A Moscow MEZHDUNARODNAYA ZHIZN in Russian No 5, May 91 (signed to press 23 Apr 91) pp 68-70

[Article written especially for MEZHDUNARODNAYA ZHIZN by Asa Sarasin, foreign minister of the Kingdom of Thailand since March 1991: “View From Bangkok”]

[Text] In speaking of the 50th anniversary of Thai-Soviet relations, which was commemorated this March, one would be imprecise were one not to mention the ties which preceded the establishment of official contacts. It might be considered that official relations between the Union of Soviet Socialist Republics and Thailand, the sole sovereign country in Southeast Asia at that time, were initiated by an exchange of notes on 12 March 1941. Particular significance is attached to this event by the fact that for the first time Thailand was then establishing official bilateral relations with a socialist state. Although diplomatic relations between our countries—the Russian Empire and the Kingdom of Siam, as Thailand was called at that time—had been established back in 1898, following the 1917 October Revolution bilateral ties were broken off and restored in full only after World War II, in December 1946. Inasmuch as prior to this time the Soviet Union had not maintained

direct contacts with other Southeast Asian countries, the majority of which were still West European colonies, Thailand was the first country of this region to establish official relations with Moscow.

Although Thailand and the Soviet Union maintained relations in the “cold war” period of the 1960’s and 1970’s, their development was, nonetheless, held back and clouded by communist expansion in this region, which the Southeast Asian countries collectively countered. In that same historical segment of time the regime in South Vietnam fell and the American military presence in Southeast Asia was cut back in 1975, and the Cambodia problem arose in 1978. All these events combined with the increase in Soviet assertiveness in the region complicated Thai-Soviet bilateral relations for decades.

An improvement in political relations between Thailand and the Soviet Union emerged with the assumption of office of President Gorbachev in 1985. Thanks to President Gorbachev’s considerable efforts, the principle of the zero-sum game, which had formed the basis of the “cold war,” was gradually reduced to nothing. Gorbachev’s foreign policy and perestroika and glasnost created in the international arena an atmosphere of friendship and favorable conditions for positive changes in many countries, which contributed appreciably to the development of Thai-Soviet relations and their mutual enrichment in various spheres. On 28 July 1986, President Gorbachev delivered in Vladivostok a program statement on foreign policy issues, expressing the Soviet Union’s readiness to expand relations with Thailand and the other ASEAN countries. He also confirmed the Soviet Union’s resolve to endeavor to observe the general interests of the countries of the Asia-Pacific region.

The efforts of President Gorbachev to surmount East-West confrontation have initiated the creation of a new world order based on cooperation, not on rivalry, in international relations. Thailand shares the viewpoint of other members of the world community that for the solution of modern transnational problems the immediate establishment of a new world order is an urgent necessity. The active and constructive participation of the Soviet Union in the passage of the UN Security Council resolutions on the crisis on the Persian Gulf was graphic testimony to the role which the USSR is performing in the new world order. I would like to believe that in the interests of all mankind the Soviet Union will continue to adhere firmly to these positions.

On a regional scale the policy of glasnost and perestroika pursued by President Gorbachev has been manifested in the international attempts to find a solution to the Cambodia problem. The efforts of the Soviet Union and the other permanent members of the UN Security Council pertaining to a settlement of the Cambodia problem have instilled a sense of optimism concerning the restoration in the foreseeable future of the long-awaited peace in Southeast Asia. There have also been

other events which have provided hope of a strengthening of peace and security in the region. These include the improvement in the situation in Afghanistan and the rapprochement between China and the Soviet Union and also the establishment of diplomatic and economic relations between the USSR and the Republic of Korea. All these processes have become possible thanks to the new approaches in Soviet policy.

As a result of perestroika and the economic transformations which are being implemented the Soviet Union could be an important partner of countries of the Asia-Pacific region. The market economy makes any state dependent on an economic community, which is for it a source of new markets, technology, and capital investments. Whence the increase in economic interaction. Today, under the conditions of the growth of global economic interdependence, the positive changes in the USSR in the direction of a market economy are producing potential for the development of economic relations between the Soviet Union and other countries. At the present time the countries of our region are preparing for the accomplishment of the tasks of the Pacific century, which will create conditions conducive to economic cooperation. Market trends in the Soviet economy will undoubtedly contribute to an increase in commodity turnover between Thailand and the Soviet Union. Thailand hopes that the further development of the present trends in the economy of the USSR will create a solid foundation for mutually beneficial and interested economic cooperation between the two countries. Thailand also invests hopes in the economic development of the Far East and looks for the constructive participation of the Thai private sector in business cooperation and the creation of joint ventures in this region of the USSR.

Indisputable progress has been made in the past several years in Thai-Soviet relations. The sphere of cooperation has broadened, having encompassed a wide range of issues of mutual interest. The growth in the number of official contacts in various fields and also the relations in a whole number of spheres are testimony to the countries' mutual desire to contribute specifically to the development of the mutual understanding necessary for the further strengthening of relations and create favorable conditions for this. Two recent events were most important for the development of friendly relations between our countries: the official visit to the Soviet Union in 1988 of His Excellency General Prem Tinsulanon, prime minister of Thailand, and to Thailand in 1990 of His Excellency Mr. Nikolay Ryzhkov, prime minister of the USSR. The first visits to the Soviet Union in many years of members of the Thai royal family—His Royal Highness Crown Prince Maha Wachiralongkon and Her Royal Highness Princess Kanyinawattana—which took place in 1989, were graphic testimony to the warm, friendly relations between Thailand and the Soviet Union. These visits strengthened considerably the friendship between our countries, placing beneath it an even firmer foundation. Since

1978, Thailand and the Soviet Union have been implementing exchange programs in the sphere of culture and sport affording the peoples of our countries new opportunities for getting to know each other better. S&T cooperation is developing in parallel. With the creation in 1990 of the Joint Commission for S&T Cooperation for the development of the bilateral exchange of specialists, scientists and technology in the fields in which the countries have experience Thailand and the USSR may expect the development of multifaceted cooperation in this direction.

The 1979 trade agreement and also the creation of the Joint Trade Commission have lent the necessary impetus to the development between Thailand and the Soviet Union of a trading partnership on a mutually profitable basis with the possibility of the corresponding adjustments being made as necessary. It is gratifying to us that a search is under way for ways and means of expanding and diversifying the as yet negligible trade turnover between Thailand and the Soviet Union (which constituted \$350 million in 1989) and that emphasis is being put here on the more assertive interaction of private businessmen of Thailand and their Soviet colleagues. This interaction has become possible thanks to the process of economic reforms in the Soviet Union. The maximum opportunities for a further strengthening of economic and commercial cooperation between our countries are afforded with the achievement of final agreement on the creation of an Intergovernmental Soviet-Thai Economic Cooperation Commission.

As of the start of perestroika the Soviet Union has begun to play a leading part in the realization of many positive changes in the world, which is evoking universal approval. It is a question of an easing of tension in relations between the superpowers, an end to the "cold war," fundamental changes in East Europe and the unprecedented solidarity which was manifested recently of the permanent members of the UN Security Council on matters of great significance for international peace. The wind of change in Soviet foreign policy has exerted a salutary influence on the position of the countries of our region, which makes it possible to view the prospects of regional peace and security with optimism and hope. This propitious atmosphere is definitely promoting the strengthening of relations between Thailand and the Soviet Union which recently began.

Thailand and the USSR are a long way away from one another. These countries are not comparable in terms of size of territory and population. Their power and influence are dissimilar. But, despite this, the people of Thailand harbor the warmest feelings for the Soviet Union and its people. Thailand and the Soviet Union have accumulated more than half a century's experience of friendly relations, which permits our countries to hope for the onset of a new era of even closer and firmer ties. Such relations are most important. They will undoubtedly contribute to a strengthening of peace in our region and its prosperity and stability in the 21st century.

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Vietnamese, Soviet Approaches to Economic Reform Contrasted

91UF0891A Moscow ROSSIYSKAYA GAZETA
in Russian 20 Jun 91 p 3

[Article by Aleksandr Pushik: "Vietnamese Miracle Reflected in Russian Mirror"]

[Text] When I first arrived in Vietnam in December 1986, the country was in an extremely pitiful state. Years of war and pseudo-socialistic experiments had left a legacy of hunger, poverty, chronic shortages of everything, and undermined productive forces. Profound pessimism and despair were apparent everywhere.

Suddenly, literally within just a few years, the situation changed radically. Goods began to pour into markets as if by magic, and then our compatriot, whom fate had sent thousands of kilometers from his home, gulped and stared at the "Vietnamese miracle."

Any perestroyka or renewal (which is what the Vietnamese perestroyka is called) must begin with an ideology. It was here, in my opinion, that the leadership of Vietnam took some extremely bold steps. The "classic" pattern of intensive industrialization and administrative cooperation was rejected as something untenable. Furthermore, the acknowledgement of the equal right of all economic structures to exist lifted the curse from private property and business income.

Conditions conducive to the development of small private businesses were established. A list of spheres in which the state would hold a monopoly was published: the production of weapons, explosives, alcoholic beverages, etc. A commercial enterprise registration procedure was instituted in all other spheres. Applications had to be submitted to the local executive committee, but if slow bureaucratic procedures kept it from issuing a permit within a certain period (20 days, for example), the applicant would have an automatic right to engage in his chosen activity.

Land was turned over to peasant families on long-term leases (for 15 years or more), and this revived the interest they had lost in the results of their labor. The agricultural tax was reduced by half for 2 years (1990 and 1991). Measures of this kind led to the support of the reform by the agricultural laborers, constituting 80 percent of the country's population.

The liberalization of prices and the curtailment of currency emission restored the balance between money and goods. As a result, the national currency, the dong, "gained weight," and the cancellation of restrictions on operations with hard currency and gold for certain enterprises, organizations, and private individuals led to the internal convertibility of the dong.

Sweeping measures were taken at the same time to overcome the effects of the dissipation of capital investments, which had led to procrastination and delays in construction projects and eventually immobilized funds, and resources were concentrated in priority projects. The subsidization of unprofitable enterprises and farms virtually ceased, and a system of commercial banks with "strict" credit terms was established. In other words, credit ceased to be one form of budget financing and became an effective economic instrument.

The measures taken to include the SRV in world economic ties warrant serious consideration. Realizing that the development of the country would be impossible without a flow of capital and of modern equipment and technology from abroad and without the training of specialists meeting new requirements, the Vietnamese Government decentralized foreign economic activity by granting certain locations, enterprises, and even private individuals the right to operate in the foreign market.

One of the essential elements of the reform process is the perestroyka of public thinking. At the end of 1986 one of the Vietnamese leaders was already declaring that it would be necessary to renounce the egalitarian mentality and to realize that there would be rich people and poor people in the society and that a struggle would have to be waged to produce as many wealthy people as possible.

I cannot say that the reform in Vietnam looked like an unqualified blessing and proceeded smoothly, without a single hitch. In this context the Vietnamese leadership probably could be compared to a physician who prescribes a painful treatment so that the patient—the society—can recover. There were times when workers and employees in the state sector were not paid for several months. In contrast to us, however, they did not demonstrate or go on strike. At a crucial time, the people remained steadfast. Vietnam came through the most difficult days and the most unpopular measures without any serious social conflicts or upheavals.

Problems of Vietnam's Debt to USSR Viewed

91UF0819A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 29 May 91 p 3

[Article by KOMSOMOLSKAYA PRAVDA Correspondent A. Kabannikov, Hanoi: "Debts Have Been Calculated in Dongs for a long Time from afar"]

[Text] Seeing how rapidly our foreign debt is increasing recently, we have begun to strenuously recall whom and how much they owe us. And Vietnam has turned out to be one of the first on this list. Our newspaper, among others, wrote that we cannot finance several other systems in addition to our own ineffective system.

And a Soviet delegation that arrived in Hanoi in January 1991 to sign intergovernmental agreements on cooperation for this year placed the issue of debts first on the negotiating agenda.

And the Vietnam side yielded. Today, the Vietnamese are prepared to supply us with \$75.5 million worth of products to pay off their debts according to the agreed list of goods—from rubber and citrus fruit to live monkeys. This appears to be a minor matter—case closed. But it was not so simple.

How much is \$75.5 million in rubles? Or—10 billion rubles of debt in dollars? No one knows this for the time being. The procedures for reciprocal payments have been changed three times since January 1 along with the shift of our economic relations to dollars and world prices. The new procedures have not yet been determined. There is still no inter-bank agreement and it should have been signed no later than March 31.

But even if it had been signed, we still would not have been able to ship out the monkeys that are due to us. "The Soviet-Vietnamese Cooperation Fleet is practically not operating," USSR Minmorflot [Ministry of the Maritime Fleet] General Representative to the Socialist Republic of Vietnam Yu. Tereshik told me. "Now we are calculating with Vietnam in 'clearing dollars.' This is imaginary currency. Reciprocal payments are occurring using these same goods and only their cost is formally expressed in dollars.

But it is still not clear who is compensating us for the real dollar expenditures for access to ports, passage through canals, repairs, etc. Vietnamese port services have taken the shift to SKV [svobodno konvertiruyemaya valyuta - freely convertible currency] literally and are demanding currency from us."

With reference to Vietnam, we can already sum up the first results. A "clearing dollar" has appeared instead of the promised flow of "real" dollars. For the majority of our exporters, this is the same mythical "convertible ruble" dressed up for a masquerade. Meanwhile, commodities exchange has fallen by a factor of five during the first months of the year due to today's chaos and the disruption of established ties between the USSR and the Socialist Republic of Vietnam. Vietnam's light industry, nearly 100 factories and plants that were operating for the USSR, are standing idle without contracts with our country and our semi-finished products and raw materials are gathering dust in their warehouses. And now it turns out that it is simply impossible for us to settle the agreed-upon debts. Obviously, the debtors cannot be particularly worried if yesterday's generous creditor is not capable of lifting the already full spoon to his mouth today.

'All Interested Parties' Urged To Resolve Mideast Problems

91UF0846A Moscow ZA RUBEZHOM in Russian
No 13, 22-28 Mar 91 p 1

[Article by Vladimir Isayev, head of a department of the USSR Academy of Sciences Oriental Studies Institute, in the "Seventy Lines" column: "The Gulf After the Storm"]

[Text] The crisis in the Persian Gulf was the first major armed conflict since the end of the "cold war." But it was unique for another reason also. For the first time the world community showed in deeds, not in words, that aggression is no longer an effective instrument of policy. Everything was employed against the aggressor—UN sanctions, various diplomatic maneuvers, the pressure of world public opinion, and armed force, the use of which proved, unfortunately, the decisive factor. Now, surveying the "landscape after the battle," many politicians are pondering the region's future. After all, whatever may be said about the timeframe of the withdrawal of American forces, the Iraqi aggression has objectively helped the United States strengthen its positions in the Near East.

There has been a delineation among Arab states, on the question of relations with the developed countries specifically. Whereas the Arab participants in the anti-Iraq coalition are hastening to enjoy the political and economic fruits of its victory, those which supported Baghdad are in disarray, having, unexpectedly for themselves, found themselves on the sidelines of diplomatic activity in the Persian Gulf and the Near East.

Many people are now putting forward plans for a settlement in this region. And although each participant is, naturally, pursuing primarily his own ends here, one thing is clear—all are interested in an easing of the Arab-Israel confrontation. For otherwise the seeds of mutual distrust and dislike will periodically engender new political conflicts, which, as the entire history of the Near East testifies, could easily grow into armed conflicts.

It is particularly important that the old "shooting from the hip" syndrome at the least hint of provocation become a thing of the past and that no one attempt to impose by force his vision of this issue or the other. Whence arises before the world community the problem of the establishment of effective control over the sale of arms, primarily weapons of mass destruction, to the Near East countries. A new spiraling of the arms race, which could in itself lead to another military conflict, cannot be allowed here.

The approach to the Near East on the part of the great powers must be particularly balanced. It is understandable that the new balance of forces in the region cannot be based on the lengthy presence of American forces. After all, aside from anything else, the possibility of a repetition of the sorry experience of the stay in Lebanon,

when they became the target of acts of terrorism, which created a further focal point of instability, cannot be ruled out. In our view, the more quickly the United States switches from a military presence to promotion of the socioeconomic development of the Near East states, the sooner positive changes in the region will begin.

True, the United States will inevitably encounter the opposition of a certain part of Arab society. After all, many Arabs are grieving over the defeat of Iraq's military machine, and anti-American feelings among them have increased. This means that large-scale political and economic actions of the United States will be condemned to failure in advance without support on the part of the other great powers, primarily the Soviet Union, which has one very important advantage: The USSR has never fired on Arabs.

True, by virtue of domestic reasons, there is little currently that the Soviet Union can offer the Arab countries in the economic sphere. But there are pretty good prospects for both Soviet-Arab and Soviet-American political and economic cooperation in a solution of the most painful Near East problems. If both great powers opt for precisely this path, their actions will be a serious contribution to the "humanization" of Near East politics.

The joint efforts of all interested parties, both West Europe and the nonaligned states included, in a solution of the contentious questions of the Near East—this is what is needed now to overcome the gulf of misunderstanding among the Near East peoples, the mutual dislike, and the recollections of victims and suffering

Iran's Islamic 'Perestroika,' Impact on Soviet Republics Examined

91UF0883A Moscow LITERATURNAYA GAZETA
in Russian No 24, 19 Jun 91 p 4

[Article by Yuriy Zarechkin, Teheran-Moscow: "In Whose Sails is the Islamic Wind? Thoughts and Predictions After Rides in Jeeps, Helicopters and Aircraft, and also Based on Conversations with the Great Imam's Inheritors and Interpreters"]

[Text] "As long as a secret is not uttered, it can be a secret for the world."—(Ferdowsi)

A recent article about Islam in LG [LITERATURNAYA GAZETA] significantly eases the task of a political commentator who has returned from Iran. I do not have to explain to the reader all over again the fundamentals of the Koran or why the present and the future and night and day are of equal value for a true Moslem. However, I am prepared to share Sharif Shukurov's conviction that it is extremely difficult to understand the Koran and to a certain extent it is impossible.

The comparison in that article of the secret of the Koran with the secret concealed behind a woman's veil seems to be extravagant only at first glance. And the point is not nearly in the Poet Rumi's philosophical dualism through

whose words a woman wards off an attempt to slightly raise her veil: "I am not what you are seeking." The main Islamic secret, as I dreamt in Iran, is not simply the aspiration to overcome the burden of ends and beginnings. When the Prophet Muhammad, while ascending into heaven in accordance with the legend from the cliff of Moriah, his journey passed outside of time and only in space. So be it. But where does this philosophy of unreality come from? In my opinion, the founders of Islam introduced a psychologically precise spiritual-moral dominant idea into our daily thoughts: in order to sense the continuity of eternity and calm, we need to live slowly and calmly prolonging the days and hours as far as possible.

I say this without irony. Because when you encounter Iranian reality, a different life style—also including political—immediately appears. The symbol of man "outside of time" is striking. A woman, tightly covered from head to toe, is only a face and a nose. On a tennis court near the river under a sun that is beating down.... And the same "symbol" on a skate board?! Yes, the complete dry law, the absence of drunks on the street.... But also the internal order dictated by the Shariat, Mohammedan prayer, the distinctive rhythm of the Islamic Faith, and the mosque.... You can accept or not accept Islamic dogma. But you must unquestionably respect it. Everything is too serious to not note the Iranian spiritual renaissance after Khomeini's Islamic Revolution. Everything is too obvious to not see the direct parallels with our history and our current social experience.

The second anniversary of the death of Imam Khomeini which was noted at the beginning of June once again forced us to think about the vitality of Islam's ideas. Nearly 30,000 envoys from various countries of the world gathered in Teheran. Several Soviet journalists were among those invited by the Iranian government. And none of us could avoid the attention to the problem of the Islamic revival.

At the ritual meeting at the mosque, the words of the representative of the Kazakh pilgrims sound strange: "Islam and Khomeini's ideas "are helping us to build and to live." We remember that quite recently we received communion with a similar phrase, other values, and a different ideology. Now with that same phraseology in another paradise? Or is some sort of hidden unrealized nature of a political game being activated in us?

Naturally, Islam as such is hardly responsible for Moslem political fundamentalism, just like the Orthodox Church is hardly responsible for the hurrah-patriotic manifestations with icons and gonfalons. I mention this once again in the development of our articles. At the same time, it would be strange not to note the resounding structures in our country and in the foreign Islamic world.

Z. Brzezinski "drew" his own "arc of Islamic instability" on the political map without considering our Moslem republics. But it seems that the renaissance that has been so persistently continued by the Imam's heirs does not bypass either Central Asia, the Caucasus, or the Volga-Urals.... Islamic parties and centers are springing up practically everywhere. On the anniversary of Khomeini's death, Moscow City and Oblast Moslems' Islamic Center opened in the capital and the Islamic Cultural Center social organization was created. Besides promoting development and propagating dogma, their activists intend to organize an Islamic religious middle school, a business club, Islamic stores, baths, restaurants, a printing plant and a newspaper. We all know how the role of Islamic parties, say, in Tatarstan (especially on the eve of the RSFSR Presidential elections) and in Uzbekistan has increased....

While speaking with pilgrims from the Soviet Union in Teheran, I once again heard about the counter Pan-Islamic movement: Saudi Arabia is sending delegations and its emissaries to Central Asia and is proposing opening missions in the Soviet republics. The emissaries are frankly pressing and insisting. Some are avoiding such pressure but others, not exclusively, cannot avoid it. It appears that the technology of moral terror is being set into motion. Together with national ideology, it can turn out to be extremely effective. For Pan-Islam. In short, the arc of instability is obtaining its continuation. And not only natural and not only on the ideological level. The Moslem structure will resound even further. The question is—in which direction. And what will become the detonator if it reaches an explosive situation?

You can hardly call my prediction optimistic.

It seems to me that the Islamic revolution is accumulating (and sooner, it has already accumulated) fatigue in Iran. And the psychological tension will obviously build up until.... But then again, it is premature to talk about methods to resolve the crisis. But I will risk talking about the factors working against the Islamic regime.

A rhetorical question: Can we consider the union of politics and religion natural? At one time, Ataturk in Turkey quite clearly answered doubts of this type. And what about right now in Iran? In my opinion, the classic example of unnatural state relations, although certain of our opponents in Teheran (incidentally, among them are also pilgrims from Turkey who are printing equipment repairmen) asserted that this is allegedly why they supported Khomeini in 1979 because he combined politics and religion.

In the discussion on this score, arguments in favor of the priority of the moral principle and the ancient good of man predominated among the Imam's supporters. Someone sort of even recalled Ferdowsi: "The only path of good is to save the soul." But I think that neither the author nor his contemporary proponents can refute the obvious. Weakness and later also the loss of a solid moral

foundation are alas inherent to any rule and to any policy. While entering the state power structure, religion (ideology) inevitably inflicts a blow to itself—those costs, unsettled lifestyle of citizens, and lack of political freedom under conditions of a strict administrative regimen which economic and social life portend.

The predominance of a single ideology (Islamic) in Iran is akin to our dying one-party ideology and, essentially, totalitarian system. It is easy to list all of its productive components and just as easy to list the damage. A personal example in confirmation of "costs": according to UN data, of 160 states, Denmark and Sweden (with 98 percent) are best in the fulfillment of the 40 points of the Declaration on Human Rights and Iran is in last place (with 0 percent!).

The second factor in favor of the development of democratic sentiments in Iranian society and against today's rulers are the methods of the ban and restrictions. Here the symbiosis is also no better than our own. In the Soviet Union, they know what bans result in, how to stimulate this underground business, form a damaging psychology, and maintain a lack of political freedom. In the Islamic Republic, restrictions in some situations appear to be perhaps more severe since they are combined (or confront?) the predominant private property in the country.

They have no right to operate this contradiction. And it seems to me that President Hashemi-Rafsanjani understands the measure of perniciousness and is looking for points of reference so that Islamic ideology does not lose its external attraction among Moslems but at the same time also can more closely coexist with a pro-Western lifestyle. A transition bridge is most likely being sought from traditionalism to a European-type market and to more civilized enterprise.

It seems to some people that the president's pragmatic path is not too attractive and planned and they prefer Khomeini's previous model. They even think that allegedly the Imam's ideas are more popular right now than, say, during the period of the Iran-Iraq war. In my opinion, it is hard to divide public opinion. Supporters of the current leader of the Islamic revolution Ayatollah Khamenei are currently stubbornly retaining their positions. But they are also not homogeneous which is specifically manifested in their attitude toward the USSR. I frequently heard cries at mass gatherings: "Death to Russia!" (along with the slogans "Death to America!" and "Death to Israel!"). It is true that a different portion here explained that it is a question not of the Soviet people but of its rulers—the Imam has already long ago exclaimed while appealing to our

people: Look at what they are doing to you!... And other rulers in other countries? Is there a moral level—standard somewhere right now?

Finally, the third factor. The mood of the people and the point of view of the population of Iran. Here, perhaps, is the highest potential in the struggle with religious-state power, naturally considering the themes that I have already noted. Will information and glasnost penetrate the curtain of silence? I can predict with confidence: it will penetrate. Although it is difficult to designate the time periods. Maybe in six to seven months or maybe in two to three years. Let us recall how this process took shape in our country. Will there be the same rates here if someone succeeds in "Farsi"-rovat [speeding] access for local dissidents to the press and airwaves?

Look, they are already not afraid. A female salesperson at a supermarket told us, people she did not know: "It is so bad for us, worse than it was." On the street, a student walked with us for several blocks: "It is impossible to live with prohibitions. It is having the opposite effect everywhere, especially in the religious sphere, a backlash is occurring, and people are ceasing to believe...."

Understandably, religious ecstasy is not in a state to be replaced with analysis and reason. That is, this is what Islam itself considers to be the main thing: "And there is no religion among those who have not mastered reason." Khomeini's son has already delivered a speech in which, while assessing what was begun by his father, he stressed that a critical period of restructuring has arrived in the country and they need to consolidate the course selected.

We also have enough rhetoric in our country. We already do not talk about how here ("Revolution—is a divine and heavenly gift"), but have we gone far in the rest? In my opinion, Orwell will still be read for a long time there and there it is like a keen contemporary social novel. As a novel that is directly associated with our time. That is its force!

And nevertheless in our Islamic structure—are we lagging behind or outrunning? It seems to me that as a minimum we need to avoid repetitions of foreign practices. Let it be our own—rational and optionally eternal. But our own.

At a moment of democratic progress in Iran (social tectonics here can also be sharper or softer), our "Islamic arc" will mandatorily resound. The braking will also be turned on. It will become a cause of the suspension of the democratic process. Our homegrown Islamic renaissance is like the long familiar threat of a military coup.

This is the peak of events and we need to not simply wait. We need to fear it and to prepare for it.

The sails are full of Islamic wind. But each captain has his own course. For now....

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